

State of Idaho
Dirk Kempthorne, Governor

General Fund Revenue Book

**FY 2003 Executive Budget
January 2002**

- Economic Forecast
- Revenue Projections
- Tax Structure

prepared by the Division of Financial Management

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INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)¹. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast is contingent upon that assumed weather pattern actually occurring. Some other weather pattern will result in a different outcome for both farmers and the myriad of entities dependent upon the fortunes of farmers.

The contingent nature of an agricultural model demonstrates the uncertainty associated with any model containing exogenous variables. Both sources of forecast error are present in any model that is dependent on explanatory variables. Since most of Idaho's revenue sectors depend heavily on Idaho income levels, the revenue forecast is particularly sensitive to those factors that influence Idaho's income.

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known as "export" and "residential"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within the State. The idea is that basic activities form the foundation of Idaho's level of economic activity, while domestic activities essentially follow from basic activities. While not a perfect theory, economic base theory does serve as a useful means of identifying the driving forces behind Idaho's overall level of economic activity.

¹ The IEM is in turn based on the DRI -WEFA Quarterly Model of the U.S. Economy. Descriptions of both are available in the current *Idaho Economic Forecast*, Division of Financial Management.

Idaho Economic Forecast

The following tables and text are taken from the
January 2002 *Idaho Economic Forecast*,
a publication produced by the
Division of Financial Management.

EXECUTIVE SUMMARY

Idaho is expected to experience even softer economic growth this year compared to last year. A major reason for this is a national downturn that started in 2001 and is expected to carry over into 2002. As a result, real GDP is projected to grow a meager 0.4% in 2002. The ripples from this weakness will be felt locally and make 2002 the most challenging year of the forecast. Idaho nonfarm employment should grow just 0.5% this year, which is less than one-third the previous year's pace. Idaho real personal income advances 2.2%, which is one-half percentage point lower than in 2001. The Idaho economic outlook improves after this year as the national recovery hits full stride in 2003 and continues growing in the remaining years of the forecast. Idaho nonfarm employment grows about 2.0% per year over this period. While Idaho nonfarm employment and personal income slow significantly in 2002, it is important to note that they still fare better than their respective national counterparts. For example, U.S. nonfarm employment is forecast to decline 0.4% in 2002 and real personal income should rise just 1.1%. Idaho personal income's growth pace also improves after 2002. Powered by strong wage and salaries growth, Idaho real personal income should advance 3.9% in 2003, 3.4% in 2004, and 3.5% in 2005.

The nation's longest expansion on record is officially over. Exactly a decade after the National Bureau of Economic Research (NBER) announced the expansion's birth, it wrote its obituary. On December 13, 2001, the NBER's Business Cycle Dating Committee determined the economy slipped into a recession in April 2001. Given the economy is in a recession, this begs the question of how serious this recession will be. The current recession is expected to last four quarters, from the second quarter of 2001 to the first quarter of 2002. If this holds true, the recession is well over half over. Real GDP is anticipated to decrease about one percent during the recession. The good news is that this is relatively mild when compared to historical standards. On average, postwar recessions have lasted 11 months and real output has fallen 2.3%. Thus, the good news is the mild recession is nearly over.

The bad news is some industries have been hit harder than others, and are not expected to turn around as quickly as the overall economy. Companies that manufacture capital goods, especially high-tech equipment, will take longer to recover. Manufacturing was in a slump about a year before the current recession started. The collapse of business investment led this sector's woes. During the second half of the 1990s, U.S. real business investment was an engine of economic growth that grew over 10.0% annually. Real combined spending on software, computers, and communications equipment advanced over 25.0% per year. This investment swelled the nation's manufacturing capacity just prior to a softening in demand. In addition, other countries also have excess manufacturing capacity. With the current glut of manufacturing capacity, U.S. companies have little incentive to increase capital spending through 2002.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2002

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GDP (BILLIONS)										
Current \$	7,813	8,318	8,782	9,269	9,873	10,206	10,414	11,096	11,794	12,460
% Ch	5.6%	6.5%	5.6%	5.5%	6.5%	3.4%	2.0%	6.6%	6.3%	5.6%
1996 Chain-Weighted	7,813	8,159	8,509	8,857	9,224	9,323	9,363	9,777	10,151	10,477
% Ch	3.6%	4.4%	4.3%	4.1%	4.1%	1.1%	0.4%	4.4%	3.8%	3.2%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	24,174	25,227	27,079	28,572	30,759	32,193	33,388	35,475	37,578	39,862
% Ch	5.7%	4.4%	7.3%	5.5%	7.7%	4.7%	3.7%	6.3%	5.9%	6.1%
Idaho Nonfarm (Millions)	23,298	24,557	26,163	27,577	29,797	31,059	32,242	34,320	36,411	38,686
% Ch	5.6%	5.4%	6.5%	5.4%	8.1%	4.2%	3.8%	6.4%	6.1%	6.2%
U.S. (Billions)	6,547	6,937	7,426	7,777	8,319	8,735	8,962	9,463	10,008	10,543
% Ch	5.6%	6.0%	7.0%	4.7%	7.0%	5.0%	2.6%	5.6%	5.8%	5.3%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	24,172	24,745	26,281	27,282	28,605	29,368	30,013	31,192	32,246	33,386
% Ch	3.5%	2.4%	6.2%	3.8%	4.9%	2.7%	2.2%	3.9%	3.4%	3.5%
Idaho Nonfarm (Millions)	23,297	24,088	25,392	26,331	27,711	28,334	28,983	30,176	31,245	32,401
% Ch	3.3%	3.4%	5.4%	3.7%	5.2%	2.2%	2.3%	4.1%	3.5%	3.7%
U.S. (Billions)	6,547	6,805	7,208	7,427	7,737	7,968	8,053	8,317	8,585	8,827
% Ch	3.4%	3.9%	5.9%	3.0%	4.2%	3.0%	1.1%	3.3%	3.2%	2.8%
HOUSING STARTS										
Idaho	9,223	8,866	10,111	10,331	11,508	11,562	10,679	9,768	9,871	10,036
% Ch	-1.5%	-3.9%	14.0%	2.2%	11.4%	0.5%	-7.6%	-8.5%	1.1%	1.7%
U.S. (Millions)	1,469	1,475	1,621	1,647	1,575	1,589	1,555	1,506	1,575	1,605
% Ch	7.9%	0.4%	9.9%	1.6%	-4.4%	0.9%	-2.1%	-3.1%	4.6%	1.9%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	492.6	508.8	521.5	539.1	559.2	569.4	572.2	583.1	594.5	607.2
% Ch	3.2%	3.3%	2.5%	3.4%	3.7%	1.8%	0.5%	1.9%	2.0%	2.1%
U.S. (Millions)	119.6	122.7	125.8	128.9	131.8	132.2	131.7	133.0	135.4	137.5
% Ch	2.0%	2.6%	2.6%	2.4%	2.2%	0.4%	-0.4%	1.0%	1.8%	1.5%
SELECTED INTEREST RATES										
Federal Funds	5.3%	5.5%	5.4%	5.0%	6.2%	3.9%	2.5%	4.5%	5.0%	5.0%
Bank Prime	8.3%	8.4%	8.4%	8.0%	9.2%	6.9%	5.5%	7.5%	8.0%	8.0%
Existing Home Mortgage	7.7%	7.7%	7.1%	7.3%	8.0%	7.1%	6.9%	8.0%	8.4%	8.2%
INFLATION										
GDP Price Deflator	1.9%	1.9%	1.2%	1.4%	2.3%	2.3%	1.6%	2.0%	2.4%	2.4%
Personal Cons Deflator	2.1%	1.9%	1.1%	1.6%	2.7%	2.0%	1.5%	2.2%	2.5%	2.5%
Consumer Price Index	2.9%	2.3%	1.5%	2.2%	3.4%	3.0%	1.9%	2.4%	2.6%	2.7%

National Variables Forecast by DRI*WEFA
Forecast Begins the THIRD Quarter of 2001

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2002

	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,228	10,328	10,458	10,640	10,831	11,015	11,178	11,362	11,557	11,715	11,871	12,035
% Ch	-0.2%	4.0%	5.1%	7.1%	7.4%	7.0%	6.0%	6.8%	7.0%	5.6%	5.4%	5.6%
1996 Chain-Weighted	9,246	9,304	9,392	9,510	9,623	9,737	9,821	9,927	10,036	10,115	10,187	10,268
% Ch	-1.6%	2.5%	3.8%	5.1%	4.8%	4.8%	3.5%	4.4%	4.5%	3.2%	2.9%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	32,811	33,130	33,561	34,049	34,652	35,212	35,754	36,279	36,771	37,303	37,875	38,364
% Ch	2.3%	3.9%	5.3%	5.9%	7.3%	6.6%	6.3%	6.0%	5.5%	5.9%	6.3%	5.3%
Idaho Nonfarm (Millions)	31,657	31,977	32,406	32,930	33,509	34,081	34,582	35,106	35,667	36,144	36,649	37,185
% Ch	2.8%	4.1%	5.5%	6.6%	7.2%	7.0%	6.0%	6.2%	6.5%	5.5%	5.7%	6.0%
U.S. (Billions)	8,844	8,903	8,993	9,107	9,258	9,400	9,529	9,664	9,817	9,946	10,071	10,197
% Ch	1.6%	2.7%	4.1%	5.2%	6.8%	6.3%	5.6%	5.8%	6.5%	5.4%	5.1%	5.1%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	29,693	29,854	30,121	30,382	30,744	31,066	31,346	31,612	31,851	32,116	32,399	32,619
% Ch	1.1%	2.2%	3.6%	3.5%	4.8%	4.3%	3.7%	3.4%	3.1%	3.4%	3.6%	2.7%
Idaho Nonfarm (Millions)	28,648	28,815	29,084	29,384	29,730	30,068	30,318	30,590	30,896	31,118	31,351	31,616
% Ch	1.6%	2.3%	3.8%	4.2%	4.8%	4.6%	3.4%	3.6%	4.1%	2.9%	3.0%	3.4%
U.S. (Billions)	8,001	8,020	8,068	8,123	8,210	8,290	8,351	8,418	8,500	8,560	8,612	8,666
% Ch	0.3%	1.0%	2.4%	2.8%	4.4%	3.9%	3.0%	3.2%	4.0%	2.8%	2.4%	2.6%
HOUSING STARTS												
Idaho	10,972	10,841	10,583	10,320	10,000	9,735	9,678	9,658	9,792	9,853	9,877	9,964
% Ch	-1.6%	-4.7%	-9.2%	-9.6%	-11.8%	-10.2%	-2.3%	-0.8%	5.6%	2.5%	1.0%	3.6%
U.S. (Millions)	1,520	1,594	1,571	1,534	1,503	1,497	1,503	1,521	1,544	1,572	1,587	1,598
% Ch	2.6%	20.8%	-5.7%	-9.0%	-7.9%	-1.5%	1.7%	4.8%	6.1%	7.6%	3.8%	2.9%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	569.5	570.9	572.8	575.6	578.3	581.6	584.7	587.7	590.5	593.1	595.8	598.7
% Ch	0.6%	1.0%	1.3%	2.0%	1.9%	2.3%	2.1%	2.1%	1.9%	1.8%	1.8%	1.9%
U.S. (Millions)	131.6	131.6	131.8	131.9	132.3	132.8	133.2	133.8	134.5	135.2	135.7	136.2
% Ch	-0.1%	0.0%	0.5%	0.6%	1.0%	1.5%	1.2%	2.0%	2.2%	2.0%	1.5%	1.5%
SELECTED INTEREST RATES												
Federal Funds	2.0%	2.3%	2.6%	3.3%	3.9%	4.5%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Bank Prime	5.0%	5.3%	5.6%	6.3%	6.9%	7.5%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%
Existing Home Mortgage	6.8%	6.8%	6.9%	7.1%	7.6%	8.0%	8.2%	8.3%	8.4%	8.4%	8.4%	8.2%
INFLATION												
GDP Price Deflator	1.5%	1.4%	1.2%	1.9%	2.4%	2.1%	2.4%	2.3%	2.5%	2.3%	2.5%	2.3%
Personal Cons Deflator	1.2%	1.7%	1.6%	2.3%	2.3%	2.3%	2.6%	2.5%	2.4%	2.5%	2.6%	2.5%
Consumer Price Index	1.7%	1.8%	1.8%	2.4%	2.4%	2.4%	2.7%	2.6%	2.6%	2.7%	2.8%	2.7%

National Variables Forecast by DRI*WEFA
Forecast Begins the THIRD Quarter of 2001

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2001 through the Fourth Quarter of 2005

The nation's longest expansion on record is officially over. Exactly a decade after the National Bureau of Economic Research (NBER) announced the expansion's birth, it wrote its obituary. On December 13, 2001, the NBER's Business Cycle Dating Committee determined the economy slipped into a recession in April 2001. Interestingly, this recession does not follow the rule-of-thumb definition of two or more quarters declining real output. In fact, real GDP actually posted a small gain (0.3%) in the second quarter of 2001 when the recession is said to have begun. Real GDP did turn south in the third quarter of 2001, however. The difference in dating the start of the recession lies in the fact that the NBER considers many indicators besides real GDP, paying particular attention to data series that are available monthly. After reviewing this data, the NBER saw enough weakness in the economy to declare a recession. In December 2001, the U.S. Department of Commerce's Bureau of Economic Analysis reported real GDP shrank at a 1.3% annual rate in the third quarter of 2001. This data helps confirm the NBER's findings that the economy is indeed in a recession.

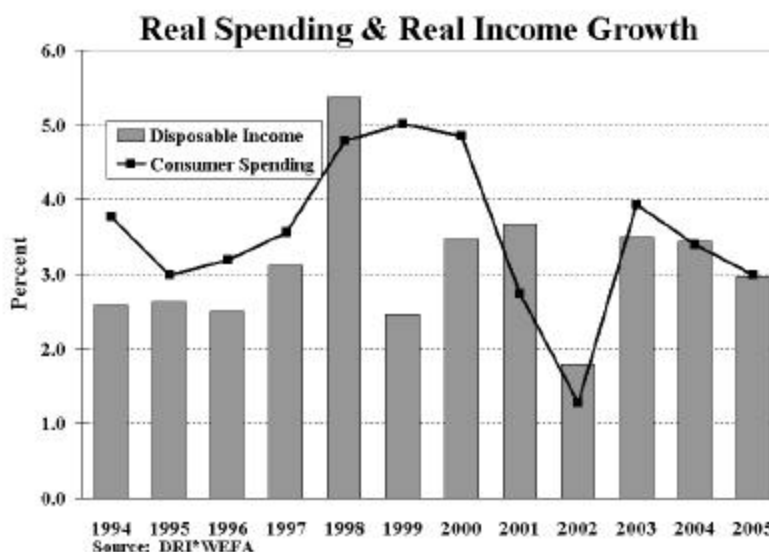
Given the economy is in a recession, this begs the question of how serious this recession will be. As a general rule, most economists measure a slowdown's severity by its duration and depth. Some economists (such as those at NBER) also look at a slowdown's dispersion. We will focus on duration and depth. The current recession is expected to last four quarters, from the second quarter of 2001 to the first quarter of 2002. If this holds true, the recession is well over half over. Real GDP is anticipated to decrease about one percent during the recession. The good news is that this is relatively mild when compared to historical standards. On average, postwar recessions have lasted 11 months and real output has fallen 2.3%. Thus, the good news is the mild recession is nearly over.

The bad news is some industries have been hit harder than others, and are not expected to recover as quickly as the overall economy. Companies that manufacture capital goods, especially high-tech equipment, will take longer to recover. Manufacturing was in a slump about a year before the current recession started. The collapse of business investment led this sector's woes. During the second half of the 1990s, U.S. real business investment was an engine of economic growth that grew over 10.0% annually. Real combined spending on software, computers, and communications equipment advanced over 25.0% per year. This investment swelled the nation's manufacturing capacity just prior to a softening in demand. As a result, the U.S. manufacturing capacity utilization rate sank from 81.7% in the middle of 2000 to 73.0% in November 2001. In addition, other countries also have excess manufacturing capacity. With the current glut of manufacturing capacity, U.S. companies have little incentive to increase capital spending through 2002.

Inventories have played a role in the slowdown and should have part in the recovery. The runoff of real nonfarm inventories has been severe. This means a large proportion of demand is being met by inventories and not new production. This holds down real GDP. However, it is believed that so much inventory has been liquidated recently, businesses will have problems meeting demand by early this year. This should cause production to rise, which will raise real GDP. In addition, employees should see their paychecks increase as companies increase hours in order to meet production needs. Employees will then have more income to spend and this will raise aggregate demand. This additional demand will require further production increases. This virtuous cycle should help real GDP expand 0.4% this year, 4.4% next year, 3.8% in 2004, and 3.2% in 2005.

SELECTED NATIONAL ECONOMIC INDICATORS

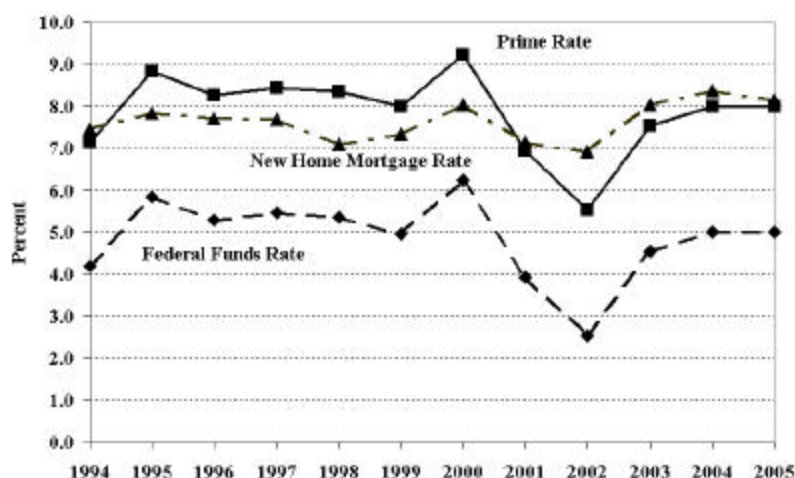
Consumer Spending: The terrorists' attacks on the U.S. weakened the consumer sector, which pushed the already ailing economy from the cusp of a slowdown into the abyss of a recession. Fears following the attack caused consumer confidence to plunge in September 2001. There have been only two other times in recent memory that consumers' collective psyches have been this shaken. They were the 1973 oil embargo and the invasion of Kuwait in 1990. This drop in confidence had an immediate impact on spending. In the week



after the attacks, mortgage applications, visitors to malls, and retail and wholesale computer sales plunged. Overall, real consumer spending declined at a 1.3% annual rate in September 2001. However, the consumer sector showed signs of life soon after the initial shock of the attacks had worn off. Consumer confidence began recovering in October and consumers showed they were willing to spend again if the right deal came along. Thanks to interest-free financing by automakers, retail sales jumped 6.4% in October. Autos rolled off show room floors at an incredible 21-million unit annual rate in October followed by sales at an 18-million unit rate in November. Total retail sales would have been even higher in October but for falling gasoline prices. If vehicle and gasoline sales are excluded from the total, retail sales were essentially unchanged from October to November. During economic downturns real spending typically grows slower than real disposable income because uncertainties about the future cause consumers to hunker down and wait out the economic rough patch. This being the case, it is assumed that real consumer spending will rise just 1.3% this year, which is about 50 basis points below real disposable income growth. As the economy recovers spending will match income growth. Real consumer spending is expected to rise 3.9% in 2003, 3.4% in 2004, and 3.0% in 2005. By comparison, real disposable income is forecast to rise 3.5% in 2003, 3.4% in 2004, and 3.0% in 2005. This could change depending on whether a stimulus bill becomes law. The timing and form of this bill could alter the future direction of consumer spending. Another uncertainty surrounding a stimulus bill is how households will treat any additional income. The purpose of a stimulus package is to provide the means for households to increase aggregate demand. Unfortunately, the experience with last summer's tax rebate suggests consumers are not spending as much of the rebate as had been hoped, but instead they used a large portion of it to pay down debt. Thus, if recent history is an indicator, another round of rebates could possibly have a less-than-desired effect. This is not to say reducing debt has only negative impacts on spending. For example, lowering household debt frees funds for purchases. In addition, the recent surge in home refinancing (roughly 1 million people have applied to refinance their homes between September 11 and November 1) will boost the average family budget with \$150 to \$200 a month.

Financial: This year the Federal Reserve squashed any doubts that it would react aggressively to an economic slowdown. From January 2001 to December 2001, the nation's central bank cut interest rates a record 11 times. These moves brought the bank's bellwether short-term federal funds rate from 6.5% to 1.75%, its lowest level since 1958. These moves are noticeable departures from the gradualism that has been a hallmark during Chairman Greenspan tenure at the helm of the central bank. While most handicappers are betting the Federal Reserve is near the end of its current loosening cycle, it is difficult to determine exactly when this policy turning point will occur. Recent press releases report that the Federal Reserve continues to believe the economy is fragile, so its short-term mission remains moving the economy forward again. In the mean time its war against inflation has been moved to the back burner. To be fair, current price information suggests a truce has been declared with inflation without the Federal Reserve needing to intervene. This current low-inflation environment has given the central bank the confidence to undertake such an aggressive policy without the fear of stoking inflationary fires. It will be interesting to watch the Federal Reserve's policy over the next few months because it will provide insight into the health of the economy. Traditionally, the Federal Reserve does not change its policy until it is convinced a crisis is over. Thus, the Federal Reserve will reveal its feelings when it meets in January 2002. A large cut at that time would suggest the Federal Reserve believes the economy is not out of danger. A small cut or no cut would suggest the economy is stabilizing and posed for a recovery. The current forecast shows a small cut in the first quarter of 2002 followed by a small increase in that year's second quarter. This is consistent with the rest of the forecast that assumes after a moderate length recession the economy will begin expanding in the second quarter of 2002.

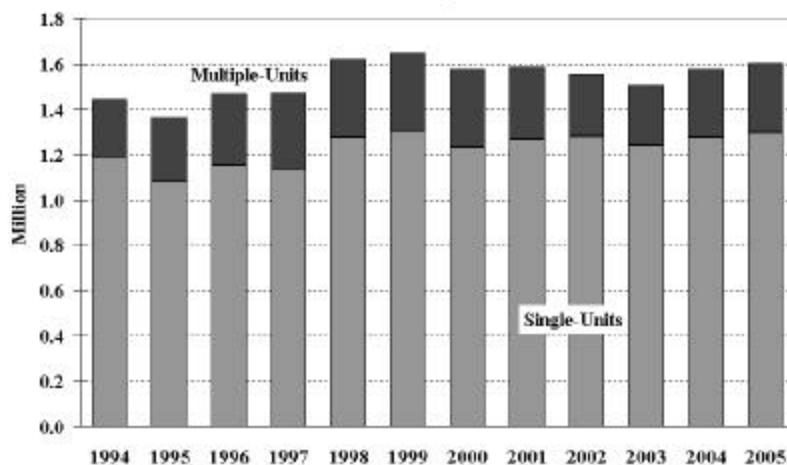
Selected Interest Rates



Source: DRI*WEFA

Housing: Housing market indicators have been trending down since mid-2001 and will likely weaken into 2002. Nevertheless, housing starts and sales remain near their high year-2000 averages. The housing sector's near-term future hinges on the employment situation, mortgage rates, and consumer confidence. Unfortunately, the short-term prognosis for the employment sector is not good. This will put downward pressure on housing that may more than offset the positive influence of low mortgage interest rates. This is significant because

U.S. Housing Starts



Source: DRI*WEFA

low mortgage rates have been keeping the wind in the housing sector's sails. The average 30-year fixed mortgage rate sank to its lowest level in the 22 years that records have been kept. During the first week of November 2001, the 30-year rate stood at 6.45%. Interestingly, though, the real mortgage interest rate (mortgage interest rate less inflation) is relatively high because of low inflation. Thus, it may not be providing the boost implied by the nominal mortgage rate. The current forecast shows there were 1.59 million housing starts in 2001, up marginally from the 1.57 million starts in 2000. It should be pointed out, however, the strong annual showing for last year reflects this sector's strength in late 2000 and early 2001, but masks the deteriorating conditions through the rest of 2001. Specifically, U.S. housing starts went from a 1.63 million-unit rate in the first quarter of 2001 to a 1.51 million-unit pace by the last quarter of 2001. With the exception of the second quarter of this year, U.S. housing starts are expected to slide through the first half of 2003. It will then grow gradually as the economic recovery becomes more established.

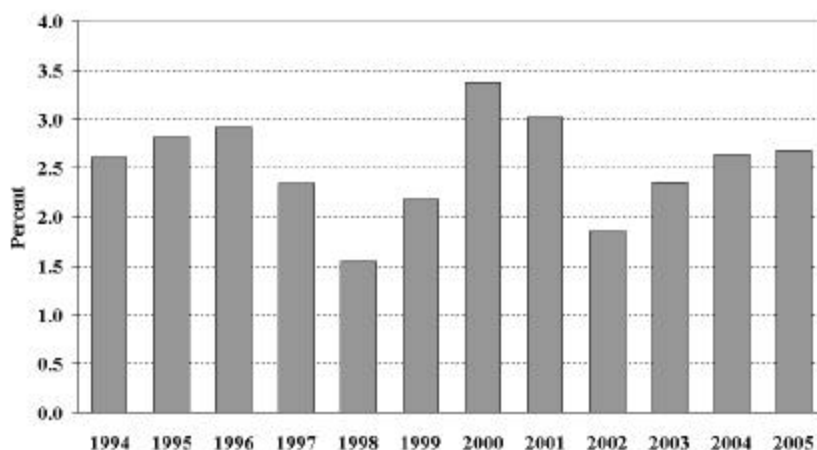
International: The U.S. recession will have repercussions beyond its borders. The ripples from the economic downturn in this country will be felt globally, and will hit its neighbors particularly hard. Canada's motor-vehicle production has already been hurt and will ultimately reflect production distortions caused directly and indirectly by interest-free financing. In addition, tightened border security will have a transitory effect on Canada and Mexico. The downturn in the U.S. economy will also have a disproportionate impact on the economies of Southeast Asia because so many of that region's economies depend on exports to the United States. This should not come as a surprise, as signs of weakness have been present for some time now. For example, U.S. imports (foreign exports) have plummeted from a 15.0% annual growth rate in the last decade to a 6.0% contraction recently. More importantly, capital goods imports have been plunging at a 50% rate in the past few months. This has been a huge blow to countries with large exports of capital goods to the U.S., notably Mexico, Germany, Japan, and many other Asian economies. These economies that had hitched a ride on the fast-growing U.S. economy will find it harder to sell their goods abroad. With the U.S. economy faltering and the Japanese economy in chronic recession, it was hoped strong European economic growth would fill the void left by the United States. Unfortunately this appears unlikely, as Europe reels from its own problems. The European economies were hit hard in 2000 by the twin shocks of higher energy prices and the high-tech bust. At least some of the blame for the European slowdown can be blamed on the institutional rigidities of the European Monetary Union. The European Central Bank appears to have been overly conservative in its monetary policy, while European governments have been slow to implement counter cyclical fiscal policies. This does not bode well for global economic growth. It is anticipated the global economy will expand 1.5% in 2002. While this is three times faster than the U.S. economy, it will still be considered a recession year. This is because a world recession is defined as real global economic growth of less than 2.0%. Under that definition, this year marks the second straight year the world is in a recession. Domestic and foreign economic growth should surpass that threshold in 2003, thus ending the global recession.



Inflation: The tame inflation picture is a welcome exception to the short-term U.S. economic forecast that is replete with challenges. However, it is important to remember while the lack of inflation is desirable it is also symptomatic of the weaknesses in the economy. The lack of pricing leverage means profits will be under pressure for some time and that businesses will be hesitant to increase capital spending. Indeed, consumer inflation is expected to be below 2.0% this year and up just slightly in 2003. This reflects the combination of flat or falling

energy prices, a rising unemployment rate, and ample global manufacturing capacity. Falling energy prices have recently dominated the decline in prices for crude goods. This fall the price of oil dropped 20% and the price of natural gas tumbled more than 50% in a two-month period. The National Association of Purchasing Managers' (NAPM) October reports quantified the weakness in manufacturing. The NAPM index for manufacturing activity posted its steepest decline since 1980, with the index plunging to 39.8%, down from 47.0% in September 2001. To put this in perspective, a reading below 50% indicates a contraction in manufacturing activity and a reading below 42.7% is consistent with a recession. Unfortunately, other data published by NAPM show the slowdown has spread beyond the manufacturing sector. The NAPM nonmanufacturing index fell to 40.6% in October 2001—an all-time low. In addition, employer compensation pressures should be mild because of the soft employment picture. Specifically, wages and salaries are expected to rise just under 3.0% this year and just over that amount over the remaining years of the forecast. Consumer price inflation is anticipated to be 1.9% this year, 2.4% next year, 2.6% in 2004, and 2.7% in 2005. Core inflation (consumer inflation excluding food and energy) is expected to be 2.4% in 2002, 2.5% in 2003, and 2.8% in both 2004 and 2005.

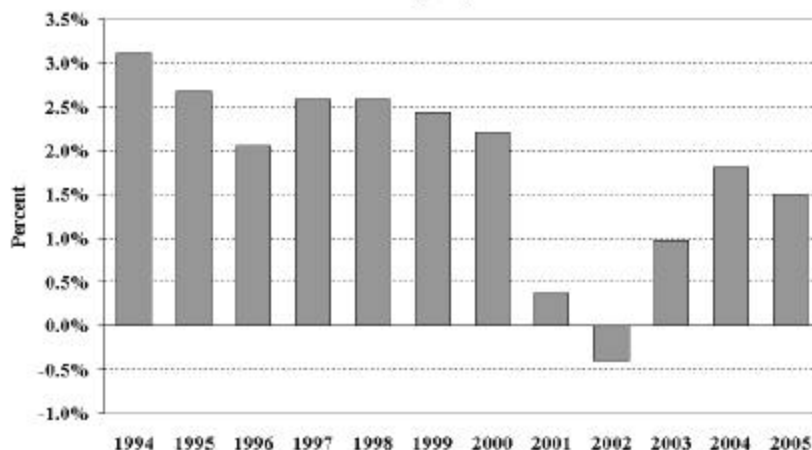
Consumer Price Inflation



Source: DRI*WEFA

Employment: The employment picture soured this summer and is not expected to improve until well after the recession is over. After falling below 4.0% in late 2000, the U.S. civilian unemployment rate inched up through the first half of 2001. By the spring of 2001 it was 4.5%, which is still considered full employment. The unemployment rate hovered near this level through most of the summer of 2001 despite increasing signs the economy was weakening. (In fact, the recession had started in April 2001.) This is consistent with most companies' behavior in past

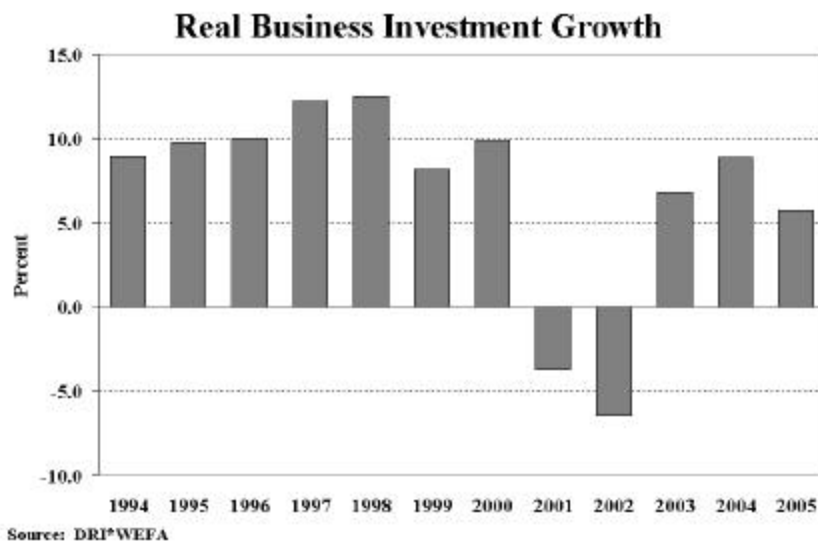
U.S. Nonfarm Employment Growth



Source: DRI*WEFA

recessions. Before taking any action employers must be convinced they are in a slowdown. Even after they determine this, they are hesitant to cut payrolls because many companies have a large investment in their employees. They will take other measures, such as reducing hours, before laying off employees. Thus, the unemployment rate will remain low at the beginning of a recession. On the hand, having gone through a downturn, many companies are hesitant to hire employees, so the unemployment will rise even after a recession is officially over. For example, the unemployment rate peaked over a year after the 1990-91 recession ended. The U.S. civilian unemployment rate did jump to 4.9% last August and it was 5.7% in November. The jobless rate in November was the highest since August 1995 and suggests the nation was below full employment at the end of last year for the first time since the second quarter of 1997. This rise in the unemployment rate is consistent with hemorrhage of jobs in recent months. The U.S. Department of Commerce's Bureau of Labor Statistics reported nonfarm employment fell 468,000 in October 2001 followed by an additional 331,000 drop in November 2000. From April 2001, when the recession, began to November 2001, U.S. nonfarm payrolls shrunk by 1.2 million jobs. These losses were broad based, but manufacturing has been particularly hard hit. This sector's employment began declining in July 2000, about a year before the recession began. Since then 1.4 million manufacturing jobs have been lost. It should be pointed out that the high-tech component of manufacturing has been particularly hard hit. Two-thirds of the manufacturing jobs lost since July 2000 was in electrical equipment and industrial machinery. Unfortunately, nonfarm employment is not projected to grow again until the second half of 2002—about six months after the recession is expected to be over. It should be noted that initially job growth will be meager and the unemployment rate will remain high. Specifically, nonfarm employment will expand by no more than 1.0% from the second quarter of 2002 to the first quarter of 2003. The U.S. civilian unemployment rate is forecast to peak at 6.3% in the third quarter of 2002. It will ease thereafter, but it is not expected to fall under the full-employment threshold during the forecast horizon.

Business Investment: The current recession reflects a collapse in real business spending. The 1990-91 downturn, in comparison, resulted from soft consumer spending. Consumer spending has held up remarkably well during the current downturn, growing through the fall of 2001. It is expected to post a modest decline in the first quarter of 2002. Real business fixed investment is expected to decline nearly 7.0%, however. The weakening investment picture started well before the recession's onset. The U.S. manufacturing



sector recession began about a year ago and investment began slipping earlier this year. It also forecast to last until the beginning of next year. Over this period, real fixed business investment should drop 11.0%. The severity of the investment collapse reflects current imbalance between aggregate demand and aggregate supply in the global economy. The surge of investment in the late 1990s ran aground of collapsing global demand in the new millennium, leaving the world awash in excess manufacturing capacity. This will cause real business investment to shrink this year and next. When the next round of business investment expansion starts in 2003, growth rates should be below those experienced during the latter years of the 1990s. Not all the news regarding business investment is bad, though. Recent data show businesses are successfully whittling down excess inventories.

IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2001 through the Fourth Quarter of 2005

What a difference a year makes! A year ago when the Division of Financial Management (DFM) reviewed the performance of Idaho's economy in 2000 the tone was positive. That year proved to be a pleasant surprise, with the economy posting stronger-than-anticipated growth. Performing a review of Idaho's economic performance for 2001 shows that year was disappointing. Two major indicators of the state's measure of economic health came in below expectations. In January 2001 (DFM) predicted that Idaho nonfarm employment would grow 2.3% in 2001 and real personal income would expand 4.6%. While this was slightly weaker than in the previous year, it was still fairly healthy growth. Unfortunately, the rapidly cooling national economy and the events of September 11, 2001, suggest this forecast was optimistic. Real GDP was expected to grow 3.6% in 2001 in the January 2001 *Forecast*. The current forecast anticipates real GDP will expand just 1.1% in 2001—a decrease of more than two-thirds. Under the weaker national economic conditions, Idaho nonfarm employment is projected to rise just 1.8% in 2001 and real personal income should grow 2.7%.

Idaho is expected to experience even softer economic growth this year compared to last year. A major reason for this is a national downturn that started in 2001 and is expected to carry over into 2002. As a result, real GDP is projected to grow a meager 0.4% in 2002. The ripples from this weakness will be felt locally and make 2002 the most challenging year of the forecast. Idaho nonfarm employment should grow just 0.5% this year, which is less than one-third the previous year's pace. Real Idaho personal income advances 2.2%, which is one-half percentage point lower than in 2001. While Idaho nonfarm employment and real personal income slow significantly in 2002, it is important to note that they still fare better than their respective national counterparts. For example, U.S. nonfarm employment is forecast to decline 0.4% in 2002 and real personal income should rise just 1.1%.

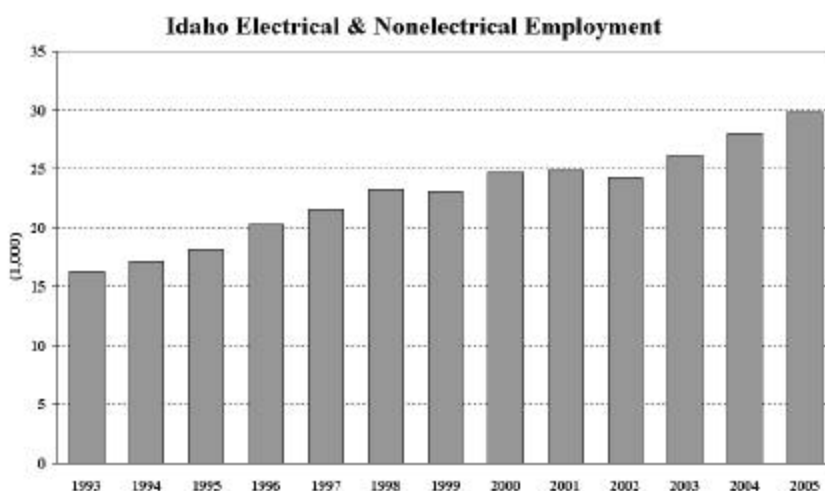
Another way of quantifying the Idaho economy's softness this year is to compare it with the forecast that was made a year ago. In January 2001, DFM forecast Idaho nonfarm employment would rise 2.3% in 2002. As pointed out above, DFM now believes it will increase 0.5%, about one-fifth its previously forecasted rate. Idaho real personal income displays a similar reduction. In January 2001 DFM forecast real personal income would rise 4.5% this year. The current forecast shows Idaho real personal income will grow at half that pace in 2002. As in 2001, this change largely reflects the much weaker outlook for the national economy in 2002. A look at real output illustrates this change. Last January real GDP was anticipated to grow 4.3% in 2002. In the current forecast it ekes out just 0.4% growth.

The Idaho economic outlook improves after this year as the national recovery hits full stride in 2003 and continues growing in the remaining years of the forecast. Idaho nonfarm employment grows about 2.0% per year over this period. Leading the charge during the first years of the recovery is the state's services-producing sector. The goods-producing sector will post sub-par employment growth until 2005. This reflects ongoing challenges in resource-based industries, soft investment spending, and the gradual decline in Idaho housing starts. In 2005, however, this sector's employment is expected to grow faster than overall Idaho nonfarm job growth. Idaho real personal income's growth pace also improves after 2002. Powered by strong wage and salaries growth, Idaho real personal income should advance 3.9% in 2003, 3.4% in 2004, and 3.5% in 2005.

SELECTED IDAHO ECONOMIC INDICATORS

Electrical and Nonelectrical Machinery:

Idaho's largest manufacturing employment sector, electrical and nonelectrical machinery, is feeling the pain of the longest downturn in the nation's high-tech sector. As a result, Idaho electrical and nonelectrical employment is expected to shrink this year and post relatively meager gains thereafter. The high-tech industry's woes can be traced to the collapse in business fixed investment. During the second half of the 1990s, U.S.

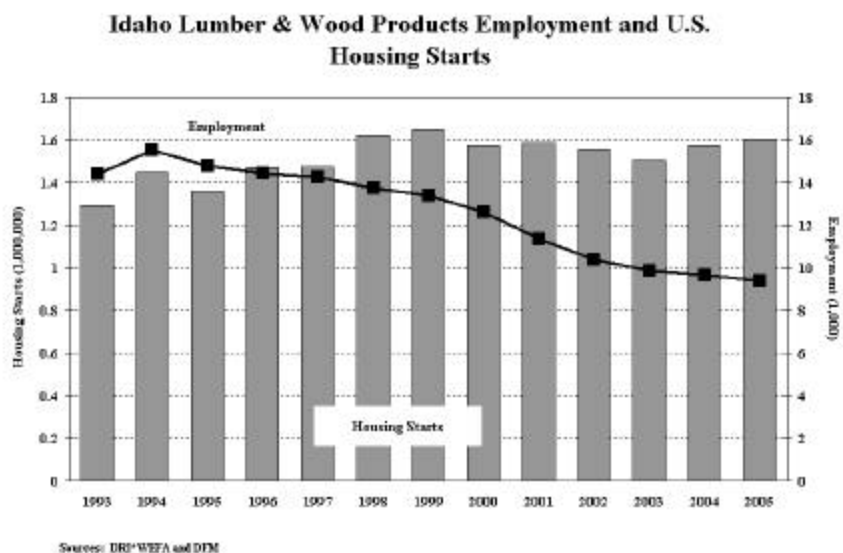


real business investment was an engine of economic growth that grew over 10.0% annually. High-tech investment did particularly well during this period. Real combined spending on software, computers, and communications equipment advanced over 25.0% per year. This strong showing would later prove to be a burden. This is because the investment swelled the nation's manufacturing capacity just prior to a softening in demand. As a result, the U.S. manufacturing capacity utilization rate sank from 81.7% in the middle of 2000 to 73.0% in November 2001. In addition, other countries also have excess manufacturing capacity. With the current glut of manufacturing capacity, U.S. companies are curtailing their investment plans. This is expected to shrink real business investment in 2001 and 2002. Real high-tech investment is anticipated to decline about 5.0% in both those years, which is the only time it has dropped for two consecutive years since records have been kept. Idaho has not been immune from the impacts of the declining investment. Idaho firms have announced plans to reduce payrolls by nearly 3,000 persons this year alone. These layoffs have been spread across several Idaho firms, such as Hewlett-Packard; Jabil Circuit; Micron Electronics; SCP Global Technologies; Extended Systems; MCMS; and Zilog. Some of these companies have asked remaining employees to take time off during the year in an effort to cut costs. A notable exception to the list of high-tech companies announcing layoffs has been Micron Technology. The Boise Valley's largest private employer has not cut jobs during the high-tech industry's current downturn. Instead, it has recently initiated a hiring freeze. This has had an impact on the employment outlook because Micron Technology has been a steady engine of growth, adding 100 to 200 jobs per month. Given the collapse in investment, 2002 should prove to be a challenging year for this sector. However, it is expected to fare better than its national counterpart. Specifically, Idaho's electrical and nonelectrical machinery sector employment is forecast to decline 2.3% in 2002, then grow 7.7% in 2003, 6.8% in 2004, and 6.7% in 2005. In comparison, U.S. electrical and nonelectrical employment is projected to decrease 10.5% in 2002, 2.3% in 2003, 0.6% in 2004, and grow 3.5% in 2005. In other high-tech news, Micron Technology added to its capacity by acquiring a 600,000 square foot chip manufacturing plant from rival Toshiba. The plant is located near Washington, D.C.

Lumber and Wood Products: The downward trend in Idaho lumber and wood products employment is projected to continue through the forecast period. The drops in Idaho have been dramatic. From 1990 to 2000, this important manufacturing employer has shed nearly 2,300 jobs. While this may seem negligible compared to total Idaho employment, it represents over 15.0% of the lumber and wood

sector employment base. It should also be remembered that mills are often the largest employers in Idaho rural communities, so a curtailment of operations or a closure has a devastating impact on those areas. This decline has not been unique to Idaho, however. The shrinking lumber and wood products sector has been a regional phenomenon. Random Lengths recently reported that there were 337 sawmills, plywood plants, veneer mills, and board mills operating in Oregon, Washington,

California, Idaho, and Montana, which was just over half the 663 that were in operation ten years ago. These closures have taken a heavy human toll. Job losses have been high. From 1989 to April 2001, an estimated 43,581 jobs have been lost in the region. Local employment data suggest job losses have actually accelerated recently in Idaho, falling 10.1% in 2001 alone. Some of this drop is due to the closures of Boise Cascade's Cascade and Emmett plants. These closures were blamed on the dwindling supply of federal timber available for harvest in Idaho. Federal records show the amount of timber harvested from federal lands has indeed declined. According to U.S. Department Agriculture, the total amount of timber harvested in Idaho fell from 1.9 million board feet in 1989 to 1.3 billion board feet in 1999, a 30% drop. This data also show that harvests from Idaho national forests fell an astounding 80% over this ten-year period. Unfortunately, these communities lost more than just jobs. Communities with national forests depend on payments in lieu of taxes (PILT) from federal timber sales. In these communities, federal lands are not on property tax rolls. Instead, these communities traditionally receive 25% of the revenue from federal timber sales in their locale. Thus, the declining federal harvests have slowly starved the budgets of rural governments. The Idaho Department of Labor reports PILT to these counties have declined 75% from 1989 to 2000. These communities will get relief in the form of the Craig-Wyden Bill that was passed in 2000. The bill stabilizes timber sales payments by averaging the three highest payments from 1986 to 2000. The counties will receive this amount over the next six years. Another uncertainty facing this sector is the expiration of the Softwood Lumber Agreement between the U.S. and Canada. The outcome of negotiations between the two countries are critical because of the current excess capacity. One estimate shows the industry is already geared up to produce 20-25% more lumber than is being consumed in North America and Asia. These pressures will become more acute over the next few years as the anticipated slowing of the global economy limits markets for lumber and wood products. Idaho lumber and wood products employment is forecast to drop 8.4% in 2002, 5.0% in 2003, 2.3% in 2004, and 2.7% in 2005.

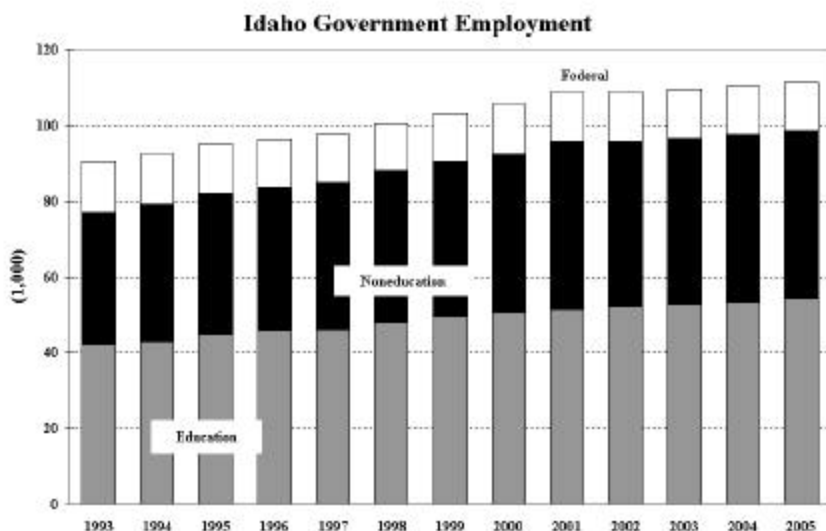


Mining and Chemicals: Last year was one of the toughest in recent memory for Idaho's mining and chemical sectors and next year should also prove challenging. The state's long-suffering mining sector received two major blows last year with the closing of the Sunshine Mine and curtailed operations at the Lucky Friday Mine. The Sunshine Mine was closed because the Asarco Smelter in East Helena was shutdown, leaving Sunshine without a place to send its silver concentrate. Low metal prices caused Lucky Friday to scale back production at its Mullen, Idaho mine. Unfortunately, it is unlikely that Idaho's mining sector has experienced its last round of job cuts. This sector's payroll is forecast to

shrink another 15.3% in 2002. Employment should grow again as the U.S. economy recovers, but any job growth will be marginal. By 2005, Idaho mining employment is forecast to be 2,061, which is even less than it was in 2001. The state's chemical sector is facing challenges of its own. Astaris closed its Pocatello elemental phosphorus plant after more than a half a century of operation. Job cuts had been anticipated even before the October 11, 2001 closure announcement. Last March, the company reported its plan to shut down three of its four production furnaces and was planning to reduce its work force by half (around 200) by June 2002. The timing of this closure is especially bad for the City of Pocatello. Astaris was just one of two major employers in that area to reduce jobs. AMI, an electronics manufacturer, let go of about 200 employees recently. Unfortunately, Astaris is not the only Gem State chemical manufacturer to fall on hard times. Kerr-McGee closed its Soda Springs vanadium and phosphate plant due to the low price of vanadium. Idaho chemical employment should drop from 2,298 in 2001 to 1,887 in 2005.



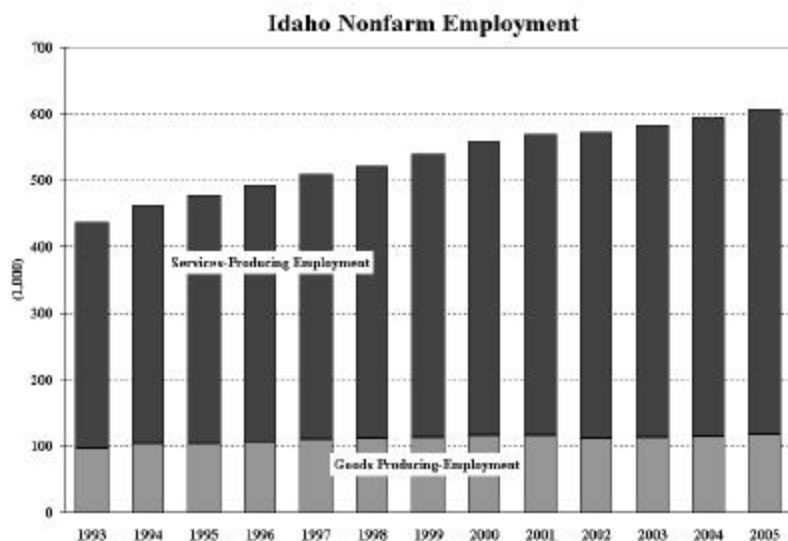
Federal, State, and Local Governments: Government employment growth opportunities in Idaho are anticipated to be limited over the forecast period. Idaho state and local government payrolls are expected to advance by no more than one percent annually through 2005 because of the cooling economy, slowing population growth, and the enacting of austerity measures. This is a significant change from the 1990s when this sector's employment advanced at a 3.3% annual rate. The state's strong population last decade was a major reason for the previous decade's employment increases. Idaho's population jumped 28.5% from 1990 to 2000. Fueling this increase was the influx of new residents into the state. Specifically, net migration accounted for two-thirds of the increase in total population. The state's strong economy was a major force attracting new residents. During the recession years of the early 1990s, U.S. nonfarm employment shrank nearly one percent. In some states, such as California, the downturn was even more severe. The combination of the slow growth in the 1980s and the 1990's rapid rise in population strained Idaho's infrastructure. In response to these pressures, Idaho state and local government employment advanced over 3.5% annually during the first half of the decade. Even at this pace, Idaho governments were in catch-up mode over most of the decade. By the end of



the 1990's Idaho's population growth was about half as fast as in the early 1990s. This gave Idaho state and local governments the opportunity to catch up with infrastructure needs. As these needs are met, Idaho state and local employment growth is expected to slow. In addition, Idaho local government budget caps will further limit employment gains. Recently, state tax collections have softened, and this too will dampen Idaho state and local employment growth. Idaho state and local government employment is forecast to increase 3.6% in 2001, 0.0% in 2002, 0.8% in 2003, 0.9% in 2004, and 1.0% in 2005. Idaho education employment is forecast to rise 1.5% in 2001, 1.4% in 2002, 1.1% in 2003, 1.4% in 2004, and 1.7% in 2005. Idaho non-education government employment should increase 6.2% in 2001, fall 1.6% in 2002, and increase 0.4% in 2003, and 0.3% in both 2004 and 2005. Idaho federal government employment is anticipated to shrink from 13,114 in 2001 to 12,939 in 2005, a cumulative decline of 4.0%.

Services-Producing Industries:

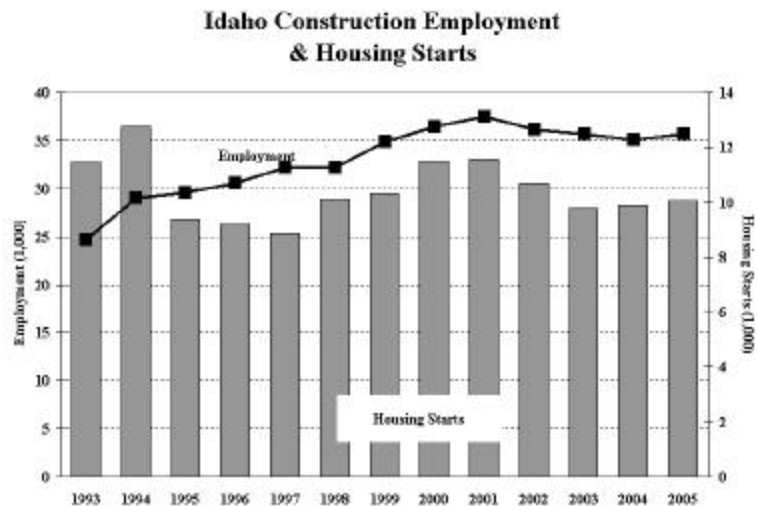
Like its national counterpart, Idaho's services-producing sector continues to grow and evolve. This sector consists of finance, insurance, and real estate; transportation, communications, and public utilities; trade; services; and government. Given this broad definition, it is no wonder it accounts for most of the jobs in Idaho. The biggest trend transforming it is the ongoing move away from a goods-producing economy to a services-producing one. This can be seen in the nonfarm job data.



In 1970, just over one of every four jobs in Idaho was in the goods-producing sector (manufacturing, mining, and construction). Three decades later, the goods-producing sector accounts for one of every five jobs. The trade and services components combined account for more than half the total employees in this sector. In the past, services usually grew up around and supported the goods-producing industry. As the economy matures, services-based industries are becoming less dependent on basic industries. An example of this trend is the growing number of call centers in Idaho. The call centers are involved in a wide range of activities including sales, help lines, telemarketing, customer services, and market research. Call centers also encompass a wide variety of business sectors. These include manufacturing, transportation, communications, trade, finance, insurance, business services, and research and development. One of the most pleasing aspects of this growth is how diverse it has been. The GTE order-processing center is in North Idaho, the Carlson Leisure Group call center is in the Treasure Valley, and Convergys Call Center is in Bannock County. These companies have flourished in Idaho because new technology frees these companies from being located near their markets. Instead, they are drawn to Idaho because of its high quality labor force. This has created opportunities in the Gem State that a few years ago would have seemed impossible. For example, landlocked Boise is the home to an international shipping company's scheduling operations. However, the ties between goods- and services-producing sectors have not been completely severed. In fact, in some cases they have even been reinforced. Manufacturing firms sometimes use temporary employees to meet their peak demand needs. These employees are often employed by employment services and are counted as service

employees. As a result, their numbers will wax and wane with the business cycle. Another trend affecting service employment is the increasing presence of national “big-box” merchandisers in the Gem state. The state’s rapid growth during the 1990s has put the Gem State on the radarscope of these companies’ planning departments. Recent openings by such industry giants as Fred Meyer and Wal-Mart have provided employment opportunities in both urban and rural communities. Services-producing employment is projected to increase 2.5% in 2001, 1.4% in 2002, 2.0% in 2003, and 2.1% in both 2004 and 2005.

Construction: Falling Idaho housing starts will cause construction employment to contract through 2004. This marks a significant departure from the 1990s when the construction sector was a key component of growth. From 1989 to 1999, the number of construction jobs in Idaho advanced 8.2% per year. To put this in perspective, Idaho total nonfarm employment growth averaged 4.0% per year over the same period. The growth in construction employment



resulted primarily from the booming housing market caused by the state’s rising population. Housing starts surged from about 3,300 units in 1988 to nearly 12,800 units in 1994. Housing starts did settle down to about 9,400 units in 1995, but strong nonresidential construction kept this sector’s employment healthy. Since then, total housing starts have hovered in the 9,000- to 11,000-unit range. While this was below 1994’s peak, it is about three times higher than in 1988. Despite low interest rates, Idaho housing starts are expected to decline because of the cooling economy. This will take a toll on construction employment. In addition, the Idaho construction employment forecast includes losses associated with the closing of Astaris’ Pocatello phosphorus plant. More than 500 construction workers were employed building a waste treatment facility that has been scrapped. Idaho housing starts are forecast to be 11,562 units in 2001, 10,679 units in 2002, 9,678 in 2003, 9,871 units in 2004, and 10,036 in 2005. Idaho construction employment is expected to drop from 37,462 in 2001 to 35,673 in 2005.

ALTERNATIVE FORECASTS

DRI*WEFA has assigned a 55% probability of occurrence to its November 2001 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP increases 1.1% in 2001, 0.4% in 2002, 4.4% in 2003, 3.8% in 2004, and 3.2% in 2005;
- U.S. nonfarm employment grows 0.4% in 2001, shrinks 0.4% in 2002, advances 1.0% in 2003, 1.8% in 2004, and 1.5% in 2005;
- the U.S. civilian unemployment rate peaks at 6.2% in 2002, then eases to 5.0% by 2005;
- consumer confidence contracts through next year;
- consumer inflation is 3.0% in 2001, 1.9% in 2002, then ranges between 2.4% and 2.7% thereafter;
- the federal government runs small annual deficits beginning this fiscal year;
- and the real trade deficit swells from \$399 billion in 2001 to about \$490 billion in 2005.

The baseline forecast assumes there will be a mild recession, but that stimulative monetary and fiscal policies will turn the economy around early in 2002. The baseline also assumes that both businesses and consumers return to normal habits over this winter, that higher federal spending kicks in quickly, and that Congress provides additional assistance for the unemployed. Any of these assumptions may prove to be too optimistic. On the other hand, the baseline could be overly pessimistic. If activity turns around on its own, the huge monetary and fiscal stimulus in the pipeline could prove excessive.

While the baseline forecast is the most probable, other outcomes are also possible. The alternative scenarios considered here diverge in separate directions from the baseline forecast. In the first, the economy performs better than in the baseline. In the second, the economy falls short of the baseline's showing. Both alternatives and their impacts on the Idaho economy are discussed below.

OPTIMISTIC SCENARIO

The *Optimistic Scenario* has been assigned a 15% probability of occurrence. In this *Scenario* the economy suffers a recession, but a confluence of positive factors dampens the negative impacts of the slowdown compared to the baseline recession. As in the baseline case, weak investment continues to weigh against the economy in this *Scenario*. However, consumer confidence is expected to rebound by the end of 2001. In addition, the expansionary fiscal and monetary policies also provide fuel for the rekindling economy. These factors do not prevent a recession, but they do make it milder. The U.S. economy shrinks 1.6% in the last quarter of 2001 but grows 2.2% in the first quarter of 2002. In the baseline case, real GDP does not resume growth until the second quarter of 2002.

The news in this *Scenario* is not all good, however. A spike in oil prices, combined with growing demand, causes inflation to jump in early 2003. In response, the Federal Reserve raises interest rates to 6.5%. However, with the 2001 recession fresh in its mind, the central bank raises its inflation target. As a result, inflation settles about half a percentage point above the baseline rate.

The quick start of the U.S. recovery helps Idaho's economy outperform its baseline counterpart over the next few years. As the table shows, Idaho nonfarm employment is higher in each year through 2003. However,

nonfarm employment is higher in the baseline case thereafter. This occurs because the recession is shorter in this *Scenario*, but the recovery is stronger in the baseline. Idaho real personal

IDAHO ECONOMIC FORECAST
CURRENT AND ALTERNATIVE FORECASTS
JANUARY 2002

	CURRENT					OPTIMISTIC					PESSIMISTIC				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
GDP (BILLIONS)															
Current \$	10,206	10,414	11,096	11,794	12,460	10,210	10,570	11,211	11,888	12,612	10,195	10,249	10,933	11,791	12,450
% Ch	3.4%	2.0%	6.6%	6.3%	5.6%	3.4%	3.5%	6.1%	6.0%	6.1%	3.3%	0.5%	6.7%	7.8%	5.6%
1996 Chain-Weighted	9,323	9,363	9,777	10,151	10,477	9,327	9,485	9,823	10,101	10,431	9,313	9,214	9,688	10,168	10,486
% Ch	1.1%	0.4%	4.4%	3.8%	3.2%	1.1%	1.7%	3.6%	2.8%	3.3%	1.0%	-1.1%	5.1%	5.0%	3.1%
PERSONAL INCOME - CURR \$															
Idaho (Millions)	32,193	33,388	35,475	37,578	39,862	32,197	33,665	35,847	37,924	40,461	32,183	33,130	35,017	37,239	39,515
% Ch	4.7%	3.7%	6.3%	5.9%	6.1%	4.7%	4.6%	6.5%	5.8%	6.7%	4.6%	2.9%	5.7%	6.3%	6.1%
U.S. (Billions)	8,735	8,962	9,463	10,008	10,543	8,736	9,064	9,603	10,124	10,704	8,732	8,850	9,293	9,929	10,494
% Ch	5.0%	2.6%	5.6%	5.8%	5.3%	5.0%	3.7%	6.0%	5.4%	5.7%	5.0%	1.4%	5.0%	6.8%	5.7%
PERSONAL INCOME - 1996 \$															
Idaho (Millions)	29,368	30,013	31,192	32,246	33,386	29,372	30,319	31,312	32,162	33,389	29,359	29,909	30,892	31,909	33,074
% Ch	2.7%	2.2%	3.9%	3.4%	3.5%	2.7%	3.2%	3.3%	2.7%	3.8%	2.6%	1.9%	3.3%	3.3%	3.7%
U.S. (Billions)	7,968	8,053	8,317	8,585	8,827	7,969	8,160	8,385	8,582	8,830	7,966	7,987	8,195	8,505	8,781
% Ch	3.0%	1.1%	3.3%	3.2%	2.8%	3.0%	2.4%	2.8%	2.4%	2.9%	3.0%	0.3%	2.6%	3.8%	3.2%
TOTAL NONFARM EMPLOYMENT															
Idaho (Thousands)	569.4	572.2	583.1	594.5	607.2	569.4	575.2	586.7	593.3	606.9	569.2	570.3	580.5	592.1	604.6
% Ch	1.8%	0.5%	1.9%	2.0%	2.1%	1.8%	1.0%	2.0%	1.1%	2.3%	1.8%	0.2%	1.8%	2.0%	2.1%
U.S. (Millions)	132.2	131.7	133.0	135.4	137.5	132.3	132.8	134.3	135.5	137.3	132.2	130.5	131.9	135.4	137.8
% Ch	0.4%	-0.4%	1.0%	1.8%	1.5%	0.4%	0.4%	1.1%	0.9%	1.3%	0.3%	-1.3%	1.0%	2.7%	1.7%
GOODS PRODUCING SECTOR															
Idaho (Thousands)	115.3	111.6	113.1	114.5	117.1	115.4	113.0	114.0	113.7	117.2	115.2	110.4	112.5	115.9	117.9
% Ch	-0.6%	-3.2%	1.3%	1.2%	2.3%	-0.6%	-2.1%	0.9%	-0.3%	3.1%	-0.7%	-4.1%	1.8%	3.1%	1.8%
U.S. (Millions)	25.1	23.6	23.7	24.3	24.6	25.1	24.0	24.4	24.6	24.7	25.1	23.1	23.2	24.6	25.1
% Ch	-2.5%	-5.9%	0.5%	2.6%	0.9%	-2.4%	-4.4%	1.7%	0.9%	0.6%	-2.6%	-7.6%	0.3%	5.8%	2.3%
SERVICE PRODUCING SECTOR															
Idaho (Thousands)	454.0	460.5	470.0	480.0	490.2	454.0	462.2	472.6	479.6	489.6	454.0	459.9	468.1	476.2	486.6
% Ch	2.5%	1.4%	2.0%	2.1%	2.1%	2.5%	1.8%	2.3%	1.5%	2.1%	2.4%	1.3%	1.9%	1.8%	2.1%
U.S. (Millions)	107.2	108.1	109.3	111.1	112.9	107.2	108.9	109.9	110.9	112.5	107.1	107.4	108.7	110.8	112.7
% Ch	1.1%	0.9%	1.1%	1.6%	1.6%	1.1%	1.6%	1.0%	0.9%	1.5%	1.0%	0.2%	1.2%	2.0%	1.6%
SELECTED INTEREST RATES															
Federal Funds	3.9%	2.5%	4.5%	5.0%	5.0%	3.9%	3.1%	5.8%	5.5%	5.5%	3.9%	1.7%	2.6%	3.8%	5.0%
Bank Prime	6.9%	5.5%	7.5%	8.0%	8.0%	6.9%	6.1%	8.8%	8.5%	8.5%	6.9%	4.7%	5.6%	6.8%	8.0%
Existing Home Mortgage	7.1%	6.9%	8.0%	8.4%	8.2%	7.1%	7.2%	8.8%	8.8%	8.6%	7.1%	6.5%	6.9%	7.7%	8.2%
INFLATION															
GDP Price Deflator	2.3%	1.6%	2.0%	2.4%	2.4%	2.3%	1.8%	2.4%	3.1%	2.7%	2.3%	1.6%	1.5%	2.8%	2.4%
Personal Cons Deflator	2.0%	1.5%	2.2%	2.5%	2.5%	2.0%	1.3%	3.1%	3.0%	2.8%	1.9%	1.0%	2.3%	3.0%	2.4%
Consumer Price Index	3.0%	1.9%	2.4%	2.6%	2.7%	3.0%	1.7%	3.1%	3.2%	3.0%	3.0%	1.4%	2.4%	3.1%	2.6%

Forecast Begins the THIRD Quarter of 2001

income displays a similar pattern. It starts out in 2002 noticeably higher than in the baseline case, but in 2005 it is virtually the same as in the baseline case.

PESSIMISTIC SCENARIO

DRI*WEFA has assigned a 30% probability of occurrence to the *Pessimistic Scenario*. In this scenario, consumers and business hunker down and pull back spending and investment until future events become more certain. Unfortunately, the future is filled with uncertainties. While government spending will almost certainly increase, it is difficult to establish a timetable for its implementation. Efforts to enact tax relief and aid the unemployed get mired by congressional gridlock. A more protracted and severe U.S. downturn would also aggravate the global recession, with negative repercussions for U.S. exports.

The net result of all these negatives is a four-quarter recession that began in the second quarter of 2001 and lasts into spring 2002. Real GDP drops 2.2% from peak to trough. At the trough, spending on equipment and software and on nonresidential construction are both 20% below their peaks. Consumer spending drops in the fourth quarter of 2001 and the first quarter of 2002, accompanied by a wave of mortgage foreclosures and bankruptcies.

In this *Scenario* the Idaho economy experiences slower growth in 2002 than in the baseline, but matches the baseline pace in the other years. Specifically, Idaho nonfarm employment ekes out just 0.2% growth in 2002 in this *Scenario*. Because of this slow start, Idaho nonfarm employment is 604,6000 in 2005, compared to the baseline's 607,200. Idaho real personal income growth is weaker than its baseline counterpart in 2002 and 2003. In 2005, Idaho real personal income is more than \$300 million less (0.9%) than in the baseline.

Idaho General Fund Revenue

History and Projections

The following pages provide descriptions of the sources of General Fund revenue, historical rate and distribution formula information, historical revenue collection and distribution information, and a brief explanation of the basis of the forecast for each source of revenue that contributes to the General Fund.

Three primary revenue categories (individual income tax, corporate income tax, and sales tax) presently account for almost 92% of General Fund revenue in fiscal year 2001. These sources of revenue are forecast using a combination of econometric methods and judgment. The econometric method is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2002 *Idaho Economic Forecast*. Both are products of the Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts-to-date, and a broad array of contacts with individuals responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, Insurance Premium Tax, is forecast in cooperation with the staff of the Department of Insurance, using simulation models to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUE

(\$MILLION)

SOURCE	ACTUAL						
	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
INDIVIDUAL INCOME TAX	\$398.28	\$432.22	\$459.44	\$508.02	\$559.17	\$596.46	\$650.85
% CHANGE	16.1%	8.5%	6.3%	10.6%	10.1%	6.7%	9.1%
CORPORATE INCOME TAX	\$72.49	\$60.02	\$57.97	\$70.00	\$87.63	\$131.64	\$151.98
% CHANGE	-0.6%	-17.2%	-3.4%	20.8%	25.2%	50.2%	15.5%
SALES TAX	\$319.29	\$335.74	\$364.32	\$402.82	\$452.68	\$481.57	\$463.00
% CHANGE	10.6%	5.2%	8.5%	10.6%	12.4%	6.4%	-3.9%
CIGARETTE TAX	\$5.88	\$6.86	\$7.07	\$7.00	\$7.61	\$7.25	\$7.48
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
BEER TAX	\$1.55	\$1.60	\$1.66	\$1.70	\$1.71	\$1.65	\$1.62
WINE TAX	\$0.77	\$0.75	\$0.75	\$0.75	\$0.81	\$1.14	\$1.52
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES	\$13.15	\$14.16	\$14.43	\$14.39	\$15.07	\$14.99	\$15.57
% CHANGE	-6.3%	7.7%	1.9%	-0.2%	4.7%	-0.6%	3.9%
KILOWATT-HOUR TAX	\$1.68	\$1.78	\$1.61	\$1.45	\$2.09	\$1.69	\$2.89
MINE LICENSE TAX	\$0.25	\$0.47	\$0.59	\$0.11	\$0.47	\$0.29	\$0.80
INTEREST EARNINGS	\$17.55	\$19.39	\$11.81	\$10.54	\$10.61	\$15.00	\$18.54
COURT FEES AND FINES	\$3.43	\$3.33	\$3.39	\$3.21	\$3.72	\$3.89	\$4.24
INSURANCE PREMIUM TAX	\$25.21	\$28.64	\$31.94	\$28.81	\$33.19	\$34.93	\$36.13
ALCOHOLIC BEVERAGE LICENSES	\$1.08	\$0.99	\$1.01	\$0.96	\$1.04	\$1.07	\$1.05
UCC FILINGS	\$1.07	\$1.17	\$1.40	\$0.91	\$0.78	\$0.85	\$0.94
UNCLAIMED PROPERTY	\$1.16	\$1.15	\$1.35	\$1.34	\$1.71	\$2.09	\$1.39
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OTHER DEPTS & TRANSFERS	<u>\$2.43</u>	<u>\$2.44</u>	<u>\$2.58</u>	<u>\$0.91</u>	<u>\$4.90</u>	<u>\$3.64</u>	<u>\$3.57</u>
MISC. REVENUE	\$53.86	\$59.36	\$55.68	\$48.23	\$58.52	\$63.46	\$69.55
% CHANGE	0.3%	10.2%	-6.2%	-13.4%	21.3%	8.4%	9.6%
TOTAL GENERAL FUND*	\$857.08	\$901.50	\$951.84	\$1,043.47	\$1,173.07	\$1,288.10	\$1,350.94
% CHANGE	10.9%	5.2%	5.6%	9.6%	12.4%	9.8%	4.9%

* Totals may not add due to rounding.

GENERAL FUND REVENUE

(\$MILLION)

SOURCE	ACTUAL					FORECAST	
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
INDIVIDUAL INCOME TAX	\$704.82	\$776.19	\$841.87	\$960.16	\$1,023.97	\$940.15	\$1,022.80
% CHANGE	8.3%	10.1%	8.5%	14.1%	6.6%	-8.2%	8.8%
CORPORATE INCOME TAX	\$122.36	\$117.29	\$95.44	\$124.87	\$141.53	\$93.43	\$112.22
% CHANGE	-19.5%	-4.1%	-18.6%	30.8%	13.3%	-34.0%	20.1%
SALES TAX	\$476.73	\$496.81	\$588.80	\$627.50	\$647.29	\$659.36	\$685.66
% CHANGE	3.0%	4.2%	18.5%	6.6%	3.2%	1.9%	4.0%
CIGARETTE TAX	\$7.49	\$7.48	\$7.23	\$7.30	\$7.98	\$7.85	\$7.43
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$4.06	\$4.10	\$4.10
BEER TAX	\$1.63	\$1.62	\$1.68	\$1.75	\$1.82	\$1.86	\$1.87
WINE TAX	\$1.66	\$1.80	\$1.90	\$1.96	\$1.90	\$1.87	\$1.83
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES	\$15.73	\$15.84	\$15.76	\$15.96	\$20.70	\$20.63	\$20.17
% CHANGE	1.0%	0.7%	-0.5%	1.2%	29.7%	-0.4%	-2.2%
KILOWATT-HOUR TAX	\$2.97	\$3.24	\$2.89	\$2.77	\$1.80	\$1.60	\$2.30
MINE LICENSE TAX	\$0.66	\$0.96	\$1.98	(\$0.66)	\$0.12	\$0.08	\$0.10
INTEREST EARNINGS	\$18.24	\$17.93	\$18.69	\$21.56	\$22.30	\$16.50	\$12.20
COURT FEES AND FINES	\$4.71	\$5.02	\$5.13	\$5.31	\$5.49	\$5.00	\$5.10
INSURANCE PREMIUM TAX	\$40.26	\$42.85	\$45.47	\$46.43	\$55.88	\$53.04	\$54.62
ALCOHOLIC BEVERAGE LICENSES	\$1.14	\$1.15	\$1.16	\$1.30	\$1.22	\$1.15	\$1.15
UCC FILINGS	\$0.03	\$0.03	\$0.01	\$0.02	\$2.01	\$2.10	\$2.10
UNCLAIMED PROPERTY	\$0.83	\$1.17	\$1.59	\$2.31	\$5.81	\$1.50	\$1.50
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$35.81	\$8.40	\$6.70
OTHER DEPTS & TRANSFERS	<u>\$3.38</u>	<u>\$3.67</u>	<u>\$5.66</u>	<u>\$13.43</u>	<u>\$20.71</u>	<u>\$21.23</u>	<u>\$17.55</u>
MISC. REVENUE	\$72.23	\$76.01	\$82.57	\$92.46	\$151.15	\$110.60	\$103.31
% CHANGE	3.9%	5.2%	8.6%	12.0%	63.5%	-26.8%	-6.6%
TOTAL GENERAL FUND*	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96	\$1,984.64	\$1,824.16	\$1,944.16
% CHANGE	3.0%	6.5%	9.6%	12.1%	9.0%	-8.1%	6.6%

* Totals may not add due to rounding.

INDIVIDUAL INCOME TAX

Description: (Title 63, Chapter 30, *Idaho Code*)

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of Idaho taxable income. Current and past individual income tax rates and brackets are detailed in the following table.

INDIVIDUAL INCOME TAX RATE HISTORY

TAX YEARS	Tax Rates on the Portion of Taxable Income ⁽¹⁾								
	\$0-1000	\$1001-\$2000	\$2001-\$3000	\$3001-4000	\$4001-5000	\$5001-6000	\$6001-7500	\$7501- \$20000+	
1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	4.0%
1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	8.0%
1955 ²	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 ³	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%
2000	\$0-1022	\$1023-2044	\$2045-3066	\$3067-4088	\$4089-5110	\$5111-7666	\$7667-20,442	\$20443+	
	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%	8.1%	
	\$0-1056	\$1057-2113	\$2114-3169	\$3170-4226	\$4227-5282	\$5283-7923	\$7924-21129	\$21130+	
2001	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%	7.8%	

1. Amounts shown are for single and married filing separate returns.

For all other filing status returns double the income bracket amounts at the top of the columns.

2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.

3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

Idaho taxable income is derived from federal adjusted gross income (AGI). For Idaho residents, income from all states is taxable in Idaho, with credit provided for taxes paid to other states. For non-residents, only income earned in Idaho is subjected to Idaho income tax. For part-year residents, income from all states is taxable during the period of Idaho residency, while only income earned in Idaho is subjected to Idaho income tax during the period of non-residency.

Although Idaho conforms to most of the federal income tax provisions for determining taxable income, a number of differences exist. Idaho's definition of taxable income excludes 100% of social security income, 60% (80% in tax year 2001) of certain capita gains, and 100% of interest earned on U.S. government securities. For a complete delineation of Idaho's income tax structure, refer to the tax structure section of this publication, starting on page 53.

Idaho also provides a number of credits that are not included in the federal tax code. These include an investment tax credit, credit for contributions to educational entities, and several temporary credits linked to investments in broadband equipment (tax years 2001-2005), research activities (tax years 2001-2005), and investments in low income/high unemployment counties (tax year 2001 only). Again, for a complete delineation of Idaho's income tax structure, refer to the tax structure section of this publication.

Idaho income derived from wages and salaries is subject to payroll withholding. Idaho does not require estimated payments for individual income tax, so tax payments derived from business income and most investment income are paid when the tax return is due (typically April 15th following the end of the tax year). A number of Idaho taxpayers make voluntary estimated payments at the end of the tax year (typically December 31st) in order to claim the payment on the same year's federal income tax return.

Since the enactment of Idaho's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. Beginning in FY 2001, withholding collections on Idaho lottery winnings are distributed to public schools and counties. (An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.)

A separate filing tax of \$10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961 when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other "check offs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds such as non-game wildlife, drug enforcement, etc.

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2002 and FY 2003 are based on a combination of econometric analysis and judgment.

The econometric analysis begins with the Idaho Economic Model (IEM), an economic base model of Idaho's economy that is used to derive employment by industry and by income type. Idaho income data is then used to correlate historical net withholding collections (gross withholding collections less refunds) to Idaho wage and salary payments. Filing collections are estimated using proprietors' income as the primary explanatory variable.

The econometric-based forecast of net withholding collections and filing collections are then adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals, and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast that follows assumes no further change in current Idaho income tax law, a standard practice of this Division's revenue forecasts.

Historical Data:

INDIVIDUAL INCOME TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions		
			Refunds	Gen. Fund	Perm. Building Fund Misc. "Check-Off" Donations
FY70	Actual	\$45,142.4	\$6,603.4	\$35,858.8	\$1,120.0
FY71	Actual	51,186.4	7,512.8	40,738.9	1,104.3
FY72	Actual	64,107.9	9,460.1	51,235.1	1,040.2
FY73	Actual	76,510.6	13,658.2	59,164.7	977.7
FY74	Actual	95,374.0	16,058.6	75,103.7	973.4
FY75	Actual	117,911.0	23,372.8	89,566.5	1,046.8
FY76	Actual	131,064.3	24,436.3	99,387.0	940.7
FY77	Actual	150,650.7	29,844.0	116,587.3	920.6
FY78	Actual	169,195.1	24,210.7	143,660.6	39.6
FY79	Actual	198,231.0	31,245.2	163,203.8	907.8
FY80	Actual	212,761.8	35,322.8	172,620.9	1,081.4
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2
FY82	Actual	264,162.3	45,070.0	215,835.5	1,082.1
FY83	Actual	272,845.0	56,725.0	212,356.6	1,064.1
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0
FY85	Actual	314,955.9	62,164.8	249,277.9	3,322.7
FY86	Actual	324,704.5	63,132.6	258,065.2	3,275.8
FY87	Actual	331,393.7	63,191.4	264,128.9	3,842.1
FY88	Actual	340,376.7	50,486.1	287,156.0	2,581.4
FY89	Actual	394,403.4	47,582.5	343,077.5	3,551.4
FY90	Actual	459,019.4	56,873.5	398,284.0	3,668.1
FY91	Actual	508,711.2	72,282.6	432,218.3	3,984.1
FY92	Actual	543,233.5	80,435.4	459,438.2	3,157.0
FY93	Actual	609,443.1	96,209.4	508,023.1	4,998.9
FY94	Actual	671,419.7	107,859.3	559,166.6	4,215.4
FY95	Actual	724,809.1	123,717.5	596,457.5	4,459.0
FY96	Actual	770,804.9	115,072.5	650,850.0	4,708.5
FY97	Actual	830,855.9	121,650.3	704,819.9	4,236.1
FY98	Actual	914,961.2	133,761.8 ¹	776,192.0	4,817.3
FY99	Actual	989,401.5	142,174.4	841,865.0	5,107.5
FY00	Actual	1,113,448.3	147,853.6	960,163.7	5,041.1
FY01	Actual	1,200,254.7	169,727.3	1,023,970.2	6,073.1
FY02	Projection	1,142,950.0	196,100.0	940,150.0	6,200.0
FY03	Projection	1,209,700.0	180,100.0	1,022,800.0	6,300.0

CORPORATE INCOME TAX

Description: (Title 63, Chapter 30, *Idaho Code*)

Collections from the corporate income tax are currently based on a flat rate of 7.6% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. For tax year 2001, an additional “incentive” investment tax credit is allowed in low income/high unemployment counties. For tax years 2001-2005, extra credits are allowed for investments in broadband equipment and research activities. See the tax structure section of this publication for details. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

CORPORATE INCOME TAX RATE HISTORY							
Tax Rates on the Portion of Income:							
Greater Than	\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
But Not More Than	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	
Tax 1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
Years 1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	6.0%	8.0%
1954	1.28%	2.55%	3.40%	4.25%	5.10%	5.10%	6.80%
1955	7.5%	Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income					
1957	8.0%	+ 10% Surcharge in 1957 and 1958.					
1959	9.5%						
1963	10.5%						
1965	6.0%						
1972	6.5%						
1981	6.5%	+ 0.2% franchise tax up to \$250,000.					
1983	7.7%						
1987	8.0%						
2001	7.6%						

Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. (An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.) An additional filing tax of \$10 per tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund.

Basis of Projection:

Projections of the General Fund revenue from the corporate income tax are based on a combination of econometric analysis, a simulation model of the cash-flow process under quarterly payments, and judgment. Historical corporate income tax collections are correlated with income and financial concepts found in the IEM and DRI-WEFA's *U.S. Economic Outlook*.

The revenue collected in FY 1991 declined as a consequence of declines in one-time cash flow from quarterly payments. Quarterly payments have also accelerated the response time between changes in profit conditions and corporate income tax cash flow. When combined with multi-state apportionment, this yields an accelerated link between national economic conditions and Idaho corporate income tax receipts. The sharp drop in corporate income tax collections in FY 1997 is the result of the semiconductor price collapse that struck the DRAM industry in 1996.

Historical Data:

CORPORATE INCOME TAX

(\$ THOUSANDS)

		Gross Collections	Distributions			Multi- State Tax Compact
			Refunds	Gen. Fund	Perm. Building Fund	
Year						
FY70	Actual	\$11,125.8	\$1,661.1	\$10,645.6	\$52.1	
FY71	Actual	12,562.9	1,875.8	11,736.1	57.5	
FY72	Actual	12,895.0	1,924.9	12,276.3	62.7	
FY73	Actual	16,024.7	3,340.0	15,220.2	68.7	
FY74	Actual	23,076.0	4,021.6	22,161.0	74.0	
FY75	Actual	28,161.7	5,616.1	26,978.7	81.1	
FY76	Actual	31,751.8	2,215.4	29,448.9	87.6	
FY77	Actual	31,033.6	1,931.6	29,009.9	92.1	
FY78	Actual	33,326.2	2,481.8	30,802.9	41.5	
FY79	Actual	39,247.1	3,322.2	35,869.3	55.5	
FY80	Actual	42,603.9	3,133.3	39,363.2	107.4	
FY81	Actual	50,875.5	4,416.2	46,288.4	127.2	\$43.6
FY82	Actual	45,602.0	5,416.2	40,010.6	146.4	26.3
FY83	Actual	39,673.6	10,191.3	29,281.3	149.0	51.9
FY84	Actual	42,226.7	15,504.7	26,535.3	116.6	70.1
FY85	Actual	49,660.1	6,698.2	42,788.0	133.6	40.3
FY86	Actual	50,253.2	6,900.6	43,138.4	150.2	63.9
FY87	Actual	53,276.8	6,878.1	46,165.9	190.9	41.9
FY88	Actual	74,230.7	10,070.2	63,906.1	160.3	94.0
FY89	Actual	80,394.1	7,152.7	72,962.6	209.6	69.3
FY90	Actual	82,635.9	9,914.5	72,492.0	212.3	17.2
FY91	Actual	72,265.0	11,995.9	60,017.2	252.0	0.0
FY92	Actual	71,443.1	13,162.9	57,971.3	194.2	114.7
FY93	Actual	83,582.6	13,194.3	70,003.8	282.0	102.5
FY94	Actual	102,772.3	14,870.6	87,628.2	196.8	76.7
FY95	Actual	152,809.5	20,818.3	131,636.1	250.7	104.4
FY96	Actual	173,392.5	21,128.3	151,979.2	246.7	38.3
FY97	Actual	138,276.6	15,479.0	122,357.2	249.5	190.9
FY98	Actual	136,996.0	19,301.9	117,286.4	283.7	124.0
FY99	Actual	117,073.9	20,927.4	95,437.7	270.0	438.8
FY00	Actual	149,355.2	23,495.3	124,872.9	303.6	683.4
FY01	Actual	173,578.8	31,593.0	141,527.2	349.0	109.5
FY02	Projection	137,025.0	43,100.0	93,425.0	350.0	150.0
FY03	Projection	138,615.0	25,900.0	112,215.0	350.0	150.0

SALES TAX

Description: (Title 63, Chapter 36, *Idaho Code*)

Sales tax collections are based on a flat rate of 5% applied to the sales price or value of tangible personal property and services that are subject to sales and use taxation. The rate and distribution history is shown on the following table.

SALES TAX RATE HISTORY AND DISTRIBUTION FORMULA

(\$ THOUSANDS)

Effective Date	Tax Rate	Gen. Fund	Perm. Build Fund	Rev. Sharing	Alloc. to Counties ⁷	Pollution Control	Public School Inc. Fund	Misc. Distributions
Jul-1965	<u>3.0%</u>	<u>Bal.</u>	<u>\$500</u>					<u>1,2</u>
Jul-1968	3.0%	Bal.	\$500		5.0%			2
Jul-1969	3.0%	Bal.	\$500		10.0%			2
Jul-1970	3.0%	Bal.	\$500		<u>15.0%</u>			2
Jul-1971	3.0%	Bal.	\$500		<u>20.0%</u>			2
Jul-1975	3.0%	Bal.	\$500		20.0%			<u>2,4</u>
Jul-1976	3.0%	Bal.	\$500		20.0%			2,4
Jul-1977	3.0%	Bal.	\$500		20.0%			2,3,4
Jul-1980	3.0%	Bal.	\$500		<u>10.0%</u>		<u>10.0%</u>	2,3,4
Mar-1983	4.0%	Bal.	\$500		10.0%		10.0%	2,3,4
Jun-1983	4.5%	Bal.	\$500		10.0%		10.0%	2,3,4
Jul-1984	<u>4.0%</u>	Bal.	\$500	<u>6.25%</u>	<u>7.5%</u>	<u>\$4,800</u>		3,4
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800		3,4
Jul-1987	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5,6
Jul-1998	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5
Jul-2000	5.0%	Bal.	\$5,000	13.75%	0.0%	\$4,800		3,4,5

1. Amount equal to 1-mill of all assessed property values distributed to Teachers Retirement System; \$1,000,000 lump sum (one-time) distribution to Tax Commission.
2. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
3. Amount equal to the sum required to be certified by the Idaho housing agency.
4. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
5. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
6. Amount necessary to fund Property Tax Relief.
7. For the period March 1983 through June 1984 this percentage was applied only to the 3% "base" sales tax rate. Beginning in 2000, this allocation was "folded into" the revenue sharing allocation.

Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has been made in any year, nor is one anticipated for the current fiscal year. Beginning in 1996, this provision is limited to no more than \$89 million. Also, it only applies to bonds issued prior to 1996. In effect, this provision has been repealed for bonds issued on or after January 1996.

Basis of Projection:

The projections of FY 2002 and FY 2003 net General Fund accruals from the sales tax are based on econometric analysis and judgment. Historic monthly gross collections data are first adjusted for changes in the tax rate and any major collection anomalies. The adjusted data is then related to Idaho wage and salary disbursements and construction data using econometric analysis. Income forecasts from the *Idaho Economic Forecast* are then used to forecast gross sales tax collections. Historical refund levels and the current distribution formula are used to translate gross collections to net General Fund accruals. FY 2000 collections and accruals are also extrapolated from receipts-to-date, based on historical collection patterns. Judgmental considerations include the results of ongoing revenue monitoring and the expected impacts of new compliance and audit activities.

Historical Data:

SALES TAX (\$ THOUSANDS)

			Distributions									
			Gross Collections	Refunds	Gen. Fund	Perm. Building Fund	Rev. Sharing	Alloc. To Counties	Pollution Control	Circuit Breaker	Property Tax Relief	Misc. Dist.
Year												
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7				\$3,899.9	1,2
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0				3,900.0	1,2
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6				3,831.3	1,2
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1				4,961.9	1,2
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5				5,844.1	1,2
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7				5,683.8	1
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3				6,838.6	1
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1				8,817.8	1
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8				10,360.0	1
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1				11,796.8	1
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9				12,994.9	1
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0				32,132.2	1,2
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4				32,067.5	1,2
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3				34,086.6	1,2
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2				36,127.9	1,2
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0			40.4	3
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0			28.3	3
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0			14.6	3
FY88	Actual	311,382.5	672.5	258,762.1	500.0	24,084.5	18,637.1	4,800.0	\$3,890.1		36.2	3
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7		25.4	3
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5		94.9	3
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1		148.3	3
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1		52.5	3
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2		50.8	3
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3		132.9	3
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1		-16.6	3
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	40,757.1	17.6	3
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4	60.7	3
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4	594.5	3
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0	744.6	3
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0	492.7	3
FY01	Actual	778,886.9	3,464.1	647,293.8	5,000.0	106,024.7	0.0	4,800.0	11,711.3	0.0	593.0	3
FY02	Projected	793,050.0	2,833.4	659,361.8	5,000.0	108,654.8	0.0	4,800.0	12,400.0	0.0	0.0	
FY03	Projected	824,350.0	2,945.2	685,661.6	5,000.0	112,943.2	0.0	4,800.0	13,000.0	0.0	0.0	

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact.

CIGARETTE TAX

Description: (Title 63, Chapter 25, *Idaho Code*)

Cigarette tax collections are based on a rate of one and four-tenths of a cent (1.4 cent) per cigarette or 28 cents per package of 20 cigarettes. Five cents per package of cigarettes are distributed to the Public School Income Fund and five cents are earmarked for County Juvenile Probation Services. Of the remaining 18 cents per package of cigarettes, 43.3% is distributed to the Permanent Building Fund; 1% (to a maximum of the legislative appropriation) is distributed to the Central Tumor Registry Fund; 2.5% is distributed to the Cancer Control Fund; and the remainder is distributed to the General Fund.

CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate Per Cigarette	Distribution to PSIF Per Cigarette	Distribution to Juv. Prob. Svcs. Per Cigarette	Distribution of Remaining Receipts as Percent or \$ per Cigarette				
				Gen. Fund	Central Tumor Reg. Fund ²	Perm Build. Fund	Water Poll. Control	Cancer Control Fund
May-1945	\$0.00100			100.0%				
Jul-1947	<u>0.00150</u>			100.0%				
Jul-1955	<u>0.00200</u>			100.0%				
Jul-1959	0.00250			100.0%				
Jul-1961	0.00300			\$0.00250		\$0.00050		
Jul-1963	<u>0.00350</u>			<u>\$0.00300</u>		0.00050		
Jul-1972	<u>0.00455</u>			<u>\$0.00350</u>	<u>\$0.00005</u> to <u>\$40,000</u>	0.00050	<u>\$0.00050</u>	
Jul-1974	0.00455			Balance	1.099% to \$40,000	10.989%	10.989%	
Jul-1975	0.00455			Balance	1.099% to <u>\$55,000</u>	10.989%	10.989%	
Jul-1978	0.00455			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%	
Jul-1979	0.00455			Balance	1.099% to \$70,000	10.989%	10.989%	3.645%
Jul-1980	0.00455			Balance	1.099% to \$85,000	10.989%	10.989%	3.645%
Jul-1982	0.00455			Balance	1.099% to <u>\$95,000</u>	10.989%	10.989%	3.645%
Jul-1984	0.00455			Balance	1.099% to <u>\$100,000</u>	10.989%	10.989%	3.645%
Mar-1987	<u>0.00900</u> ¹			<u>Balance</u> ¹	1.099% to \$100,000	10.989%	10.989%	3.645%
Jul-1987	0.00900			Balance	1.000% to \$100,000	43.300%	6.700%	2.500%
Jul-1989	0.00900			Balance	1.000% to <u>\$110,000</u>	43.300%	6.700%	2.500%
Jul-1994	<u>0.01400</u>	<u>\$0.00500</u>		Balance	1.000% ³	43.300%	6.700%	2.500%
Mar-1995	0.01400	<u>0.00250</u>	<u>\$0.00250</u>	Balance	1.000% ³	43.300%	6.700%	2.500%
Jul-2000	0.01400	0.00250	\$0.00250	Balance	1.000% ³	43.300%	<u>0.000%</u>	2.500%

1. From March 1, 1987 to July 1, 1987 the additional \$.00445 was all distributed to the General Fund.

2. The Central Tumor Registry Fund receives the lesser of its percentage or its dollar cap.

3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2002 and FY 2003 are based on a subjective assessment of recent collections history, Idaho population growth, and the trend toward decreased per capita cigarette consumption.

Historical Data:

CIGARETTE TAX

(\$ THOUSANDS)

			Distributions							
				Perm. Building	Refunds	Water Pollution	Cancer Control	Central Tumor Registry	Public School Income	County Juvenile Probation
Year		Gross Collections	Gen. Fund	Fund		Fund	Fund	Fund	Fund	Fund
FY70	Actual	\$4,885.9	\$4,188.0	\$697.9						
FY71	Actual	5,173.4	4,434.4	739.0						
FY72	Actual	6,136.8	5,260.2	876.6						
FY73	Actual	8,074.5	6,248.4	867.1		\$919.1		\$40.0		
FY74	Actual	8,365.7	6,475.7	925.0		925.0		40.0		
FY75	Actual	8,544.4	6,599.6	939.1	\$26.6	939.1		40.0		
FY76	Actual	8,866.2	6,868.8	959.9	22.5	959.9		55.0		
FY77	Actual	8,980.5	6,926.6	983.8	31.3	983.8		55.0		
FY78	Actual	9,098.5	7,010.6	995.0	43.0	995.0		55.0		
FY79	Actual	8,919.2	6,841.5	974.2	59.2	974.2		70.0		
FY80	Actual	9,009.1	6,580.3	981.9	69.3	981.9	\$325.7	70.0		
FY81	Actual	9,331.1	6,802.3	1,017.8	70.7	1,017.8	337.6	85.0		
FY82	Actual	9,244.3	6,717.1	1,004.7	99.5	1,004.7	333.2	85.0		
FY83	Actual	9,288.9	6,746.1	1,010.8	91.0	1,010.8	335.3	95.0		
FY84	Actual	8,989.8	6,523.7	978.0	90.8	978.0	324.4	95.0		
FY85	Actual	8,854.8	6,405.2	960.1	114.9	960.1	318.5	96.0		
FY86	Actual	8,536.9	6,150.2	922.3	143.9	922.3	305.9	92.2		
FY87	Actual	10,552.8	8,193.4	911.8	142.2	911.8	302.4	91.2		
FY88	Actual	15,033.9	6,921.0	6,399.8	253.8	989.8	369.5	100.0		
FY89	Actual	14,782.8	6,792.8	6,283.4	271.6	972.3	362.8	100.0		
FY90	Actual	12,738.7	5,884.3	5,464.3	119.1	845.5	315.5	110.0		
FY91	Actual	14,696.2	6,863.4	6,356.8	15.4	983.6	367.0	110.0		
FY92	Actual	15,205.6	7,072.3	6,547.2	85.0	1,013.1	378.0	110.0		
FY93	Actual	15,029.6	6,995.1	6,490.5	40.0	1,004.3	374.7	125.0		
FY94	Actual	16,394.3	7,605.6	7,047.1	119.4	1,090.4	406.9	125.0		
FY95	Actual	23,270.6	7,245.6	6,733.5	63.8	1,041.9	388.8	141.0	\$6,537.6	\$1,118.4
FY96	Actual	25,228.0	7,476.5	6,944.0	281.9	1,074.5	400.9	141.0	4,454.6	4,454.6
FY97	Actual	25,053.3	7,486.5	6,953.0	74.7	1,075.9	401.4	141.0	4,460.4	4,460.4
FY98	Actual	24,951.0	7,476.9	6,944.3	3.7	1,074.5	400.9	141.0	4,454.8	4,454.8
FY99	Actual	24,195.2	7,230.0	6,732.5	8.9	1,041.7	388.7	155.5	4,318.9	4,318.9
FY00	Actual	24,417.9	7,295.4	6,789.7	22.3	1,050.6	392.0	156.6	4,355.7	4,355.7
FY01	Actual	23,550.6	7,980.8	6,495.7	214.9	0.0	375.0	150.0	4,167.1	4,167.1
FY02	Projection	23,029.6	7,850.0	6,389.2	76.4	0.0	368.9	147.6	4,098.8	4,098.8
FY03	Projection	21,786.9	7,425.0	6,043.3	76.4	0.0	348.9	139.6	3,876.9	3,876.9

TOBACCO PRODUCTS TAX

Description: (Title 63, Chapter 25, *Idaho Code*)

Idaho levies a 35% tax on the wholesale price of tobacco products, except for cigarettes. This entire amount, net of refunds, is remitted to the General Fund. An additional 5% of the wholesale price is also collected. Half of this additional amount is earmarked for the Public School Income Fund, with \$250,000 appropriated to Idaho State Police. The other half of the 5% collected is distributed to the Department of Juvenile Corrections for county juvenile probation services.

TOBACCO TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Percent of Wholesale Price Distributed to Fund			
	Water Poll. Control	General. Fund	Public School Income	Dept. of Juvenile Corr.
Jul-1972	35.0%	0.0%	0.0%	0.0%
Jul-1994	35.0%	0.0%	5.0%	0.0%
Mar-1995	35.0%	0.0%	2.5%	2.5%
Jul-1996	35.0%	0.0%	2.5% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%

^{1.} \$250,000 of this amount goes to Idaho State Police.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2002 and FY 2003 are based on a subjective assessment of recent collections history, Idaho population growth, inflation, and the trend toward reduced tobacco products consumption.

Historical Data:**TOBACCO TAX**

\$ THOUSANDS

		Gross Collections	Distributions				
			Gen. Fund	Refunds	Water Pollution Fund	Public School Income Fund	County Juvenile Probation Fund
Year							
FY86	Actual	1,350.7	0.0	7.7	1,343.0	0.0	0.0
FY87	Actual	1,401.4	0.0	1.3	1,400.1	0.0	0.0
FY88	Actual	1,533.2	0.0	1.6	1,531.5	0.0	0.0
FY89	Actual	1,556.8	0.0	0.1	1,556.7	0.0	0.0
FY90	Actual	1,778.4	0.0	3.9	1,774.5	0.0	0.0
FY91	Actual	1,934.4	0.0	49.4	1,885.0	0.0	0.0
FY92	Actual	2,235.8	0.0	4.3	2,231.5	0.0	0.0
FY93	Actual	2,475.5	0.0	5.6	2,469.9	0.0	0.0
FY94	Actual	2,874.6	0.0	15.5	2,859.0	0.0	0.0
FY95	Actual	3,605.4	0.0	2.3	3,167.1	381.8	54.2
FY96	Actual	3,825.7	0.0	5.0	3,343.1	238.8	238.8
FY97	Actual	4,001.8	0.0	89.3	3,423.4	244.5	244.5
FY98	Actual	4,070.5	0.0	56.0	3,512.7	250.9	250.9
FY99	Actual	4,307.6	0.0	3.2	3,766.4	269.0	269.0
FY00	Actual	4,391.1	0.0	7.3	3,835.8	274.0	274.0
FY01	Actual	4,723.0	4,062.8	79.8	0.0	290.2	290.2
FY02	Projection	4,691.0	4,100.0	5.3	0.0	292.9	292.9
FY03	Projection	4,691.0	4,100.0	5.3	0.0	292.9	292.9

BEER TAX

Description: (Title 23, Chapter 10, *Idaho Code*)

A total tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Of the total, 20% is distributed to the Alcoholism Treatment Fund, 33% to the Permanent Building Fund, and the remainder (47%) to the General Fund. Historical rates of the tax and its distribution are listed below.

BEER TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per 31 Gal. Barrel	Distribution Mechanism
Mar-1935	\$1.55	50% to General Fund (GF); 50% to Public School Income Fund.
Jul-1939	\$1.55	100% to GF.
Jul-1947	\$3.10	100% to GF.
Jul-1961	\$4.65	\$3.10 to GF; \$1.55 to Permanent Building Fund (PBF).
Jul-1980	\$4.65	\$2.17 to GF; \$1.55 to PBF; \$.93 to Alcoholism Treatment Fund (ATF).
Jul-1986	\$4.65	47% to GF; 33% to PBF; 20% to ATF.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on an assessment of recent collections, the slow decline in per capita beer consumption, and Idaho population growth.

Historical Data:

BEER TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Gen. Fund	Perm. Building Fund	Refunds	Alcoholism Treatment Fund
FY70	Actual	\$1,989.6	\$1,326.5	\$663.1		
FY71	Actual	2,097.3	1,398.3	699.1		
FY72	Actual	2,316.1	1,544.1	772.0		
FY73	Actual	2,564.2	1,709.6	854.5		
FY74	Actual	2,690.0	1,793.4	896.5		
FY75	Actual	2,938.3	1,959.0	979.3		
FY76	Actual	3,062.9	2,023.2	1,011.6	\$28.1	
FY77	Actual	3,241.1	2,144.3	1,072.0	24.8	
FY78	Actual	3,326.7	2,200.7	1,100.3	25.7	
FY79	Actual	3,466.0	2,291.6	1,145.7	28.6	
FY80	Actual	3,516.2	2,326.4	1,163.2	26.6	
FY81	Actual	3,215.4	1,498.8	1,068.9	4.7	\$642.9
FY82	Actual	3,574.6	1,669.0	1,190.5	0.9	714.3
FY83	Actual	3,532.0	1,650.3	1,176.0	0.0	705.6
FY84	Actual	3,442.5	1,607.0	1,147.1	0.0	688.3
FY85	Actual	3,422.2	1,597.5	1,140.1	0.5	684.1
FY86	Actual	3,312.6	1,545.5	1,103.5	1.6	662.1
FY87	Actual	3,311.6	1,554.9	1,091.8	3.2	661.7
FY88	Actual	3,251.7	1,527.6	1,072.6	1.4	650.0
FY89	Actual	3,244.5	1,509.9	1,060.1	31.9	642.5
FY90	Actual	3,304.6	1,552.1	1,089.8	2.2	660.5
FY91	Actual	3,414.7	1,602.5	1,125.2	5.1	681.9
FY92	Actual	3,525.6	1,656.9	1,163.4	0.3	705.1
FY93	Actual	3,621.6	1,701.6	1,194.7	1.2	724.1
FY94	Actual	3,643.1	1,711.8	1,201.9	1.0	728.4
FY95	Actual	3,521.7	1,654.1	1,161.4	2.3	703.9
FY96	Actual	3,455.6	1,620.9	1,138.1	7.0	689.7
FY97	Actual	3,468.6	1,629.9	1,144.4	0.8	693.6
FY98	Actual	3,445.8	1,619.4	1,137.0	0.2	689.1
FY99	Actual	3,585.6	1,683.9	1,182.3	2.8	716.5
FY00	Actual	3,737.0	1,754.2	1,231.7	4.6	746.5
FY01	Actual	3,866.4	1,816.5	1,275.4	1.4	773.0
FY02	Projection	3,959.6	1,860.0	1,306.0	2.2	791.5
FY03	Projection	3,980.9	1,870.0	1,313.0	2.2	795.7

WINE TAX

Description: (Title 23, Chapter 13, *Idaho Code*)

A tax of \$0.45 per gallon is levied on wine and beer containing more than 4% alcohol sold in Idaho. Of the total, 12% is distributed to the Alcoholism Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder (83%) to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

WINE TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per Gallon	State of Origin	Distribution Mechanism
Jul-1971	\$0.45	All	100% to General Fund (GF).
Jul-1980	\$0.45	All	\$0.40 to GF; \$0.05 to Alcoholism Treatment Fund (ATF).
Jul-1984	\$0.20	Idaho	\$0.15 to GF; \$0.05 to ATF.
	\$0.45	Non-Idaho	\$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20	Idaho	88% to GF; 12% to ATF.
	\$0.45	Non-Idaho	88% to GF; 12% to ATF.
Jul-1988	\$0.45	All	88% to GF; 12% to ATF.
Jul-1994	\$0.45	All	83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on a subjective assessment of recent collection history, the trend toward lower wine consumption per capita, the rising popularity of microbrewery beers, and Idaho population growth.

Historical Data:

WINE TAX (\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Gen. Fund	Refunds	Alcoholism Treatment Fund	ID Grape Growers & Wine Producers Commission
FY70	Actual	\$0.0	\$0.0			
FY71	Actual	0.0	0.0			
FY72	Actual	394.9	394.9			
FY73	Actual	437.1	437.1			
FY74	Actual	425.5	425.5			
FY75	Actual	457.7	457.7			
FY76	Actual	488.5	470.7	\$17.8		
FY77	Actual	502.3	485.6	16.7		
FY78	Actual	591.6	573.0	18.6		
FY79	Actual	652.5	632.1	20.4		
FY80	Actual	657.6	629.5	28.1		
FY81	Actual	609.0	526.9	14.6	\$67.5	
FY82	Actual	759.1	675.3	0.0	83.8	
FY83	Actual	778.1	692.2	0.0	85.9	
FY84	Actual	837.5	744.7	0.0	92.9	
FY85	Actual	872.4	767.0	6.2	99.2	
FY86	Actual	955.2	844.7	0.9	109.6	
FY87	Actual	985.4	862.1	5.7	117.6	
FY88	Actual	989.1	866.7	4.2	118.2	
FY89	Actual	905.9	788.7	9.6	107.6	
FY90	Actual	880.7	771.3	4.2	105.2	
FY91	Actual	853.2	750.1	0.8	102.3	
FY92	Actual	907.1	753.1	51.3	102.7	
FY93	Actual	856.4	750.5	3.5	102.3	
FY94	Actual	918.4	806.2	2.2	109.9	
FY95	Actual	1,375.5	1,140.5	0.7	165.0	\$69.3
FY96	Actual	1,840.4	1,524.1	4.2	220.3	91.8
FY97	Actual	2,005.4	1,663.7	1.0	240.5	100.2
FY98	Actual	2,170.7	1,800.8	1.0	260.4	108.5
FY99	Actual	2,294.1	1,904.0	0.2	275.3	114.7
FY00	Actual	2,375.4	1,963.1	10.2	283.8	118.3
FY01	Actual	2,295.5	1,898.2	8.5	274.4	114.3
FY02	Projection	2,256.6	1,870.0	3.6	270.4	112.7
FY03	Projection	2,208.4	1,830.0	3.6	264.6	110.2

LIQUOR SURCHARGE

Description: (Title 23, Chapters 2 and 4, *Idaho Code*)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State Liquor Dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund. Other dedicated moneys from the liquor surcharge include: \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund. Of the balance of the distribution, 40% is distributed to counties and the remaining 60% is distributed to cities.

Historical Data:

LIQUOR SURCHARGE

(\$ THOUSANDS)

Year		Gross Distribu.	Distributions						
			Gen. Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	PBF Cities & Counties
FY70	Actual	\$7,116.0	\$1,910.4						
FY71	Actual	8,228.1	2,005.5						
FY72	Actual	8,686.9	2,401.0						
FY73	Actual	10,497.1	2,814.7						
FY74	Actual	10,739.6	2,961.7						
FY75	Actual	9,445.4	2,517.4						
FY76	Actual	11,371.8	2,786.1						
FY77	Actual	10,569.5	2,883.4						
FY78	Actual	11,241.4	3,192.7						
FY79	Actual	12,138.3	3,369.9						
FY80	Actual	13,490.0	3,529.6						
FY81	Actual	14,378.7	3,741.8						
FY82	Actual	12,914.8	3,948.1						
FY83	Actual	15,487.2	3,700.0						
FY84	Actual	15,170.2	3,820.0						
FY85	Actual	12,780.1	4,945.0	\$1,200.0	\$300.0	\$650.0	\$1,200.0		\$4,485.1
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.5
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.8
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0		2,500.0
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0		3,082.9
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0		4,130.0
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0		3,973.3
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0		4,704.1
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0		4,507.8
FY94	Actual	26,149.3	4,945.0	1,200.0	300.0	650.0	1,200.0	\$6,255.8	11,178.5
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,154.3
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,283.1
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	9,122.3
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,310.7
FY99	Actual	18,584.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,289.1
FY00	Actual	19,891.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	1,000.0
FY01	Actual	20,293.9	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0
FY02	Projection	20,895.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0
FY03	Projection	21,295.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0

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For more information, please call DFM.

KILOWATT-HOUR TAX

Description: (Title 63, Chapter 27, *Idaho Code*)

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on electricity generated in the state of Idaho by water power. Power used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax has been levied since July 1, 1931.

Basis of Projection:

Kilowatt-hour tax receipts for FY 2002 and FY 2003 are based on an assessment of recent collection history in comparison to river flows, water availability, and changes in power generation capacity.

Historical Data:

KILOWATT-HOUR TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions	
			Refunds	Gen. Fund
FY70	Actual	\$403.3		\$403.3
FY71	Actual	575.0		575.0
FY72	Actual	550.3		550.3
FY73	Actual	826.1		826.1
FY74	Actual	592.8		592.8
FY75	Actual	408.1		408.1
FY76	Actual	1,255.7	\$88.4	1,167.3
FY77	Actual	597.1	0.1	597.0
FY78	Actual	510.4	0.0	510.4
FY79	Actual	1,651.8	0.0	1,651.8
FY80	Actual	1,404.9	0.0	1,404.9
FY81	Actual	1,607.5	0.0	1,607.5
FY82	Actual	1,755.6	0.0	1,755.6
FY83	Actual	2,176.9	0.0	2,176.9
FY84	Actual	2,412.7	0.0	2,412.7
FY85	Actual	2,270.6	0.0	2,270.6
FY86	Actual	2,100.9	0.0	2,100.9
FY87	Actual	1,819.2	0.0	1,819.2
FY88	Actual	1,487.0	0.0	1,487.0
FY89	Actual	1,593.6	0.0	1,593.6
FY90	Actual	1,677.0	0.0	1,677.0
FY91	Actual	1,783.2	0.0	1,783.2
FY92	Actual	1,615.8	5.3	1,610.5
FY93	Actual	1,478.7	29.4	1,449.3
FY94	Actual	2,125.0	37.0	2,088.0
FY95	Actual	1,686.5	0.0	1,686.5
FY96	Actual	2,947.0	57.1	2,889.9
FY97	Actual	2,973.6	0.0	2,973.6
FY98	Actual	3,239.9	0.0	3,239.9
FY99	Actual	2,885.7	0.0	2,885.7
FY00	Actual	2,800.4	35.0	2,765.4
FY01	Actual	1,796.3	0.0	1,796.3
FY02	Projection	1,600.0	0.0	1,600.0
FY03	Projection	2,300.0	0.0	2,300.0

MINE LICENSE TAX

Description: (Title 47, Chapter 12, *Idaho Code*)

Revenue is derived from a 1% "profit" tax on Idaho mining operations. Sixty-six percent of the collections accrue to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Account. This tax has been levied since 1935. It was initially set at 3%. It was lowered to 2% in 1972 and again to 1% in 2002. The sharp General Fund increase in FY 1999, and the sharp refund increase in FY 2000 are due to a large payment (\$1.25 million) that was made under protest in FY 1999, then refunded when a legal decision was made in favor of the taxpayer in FY 2000.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

Historical Data:

MINE LICENSE TAX (\$ THOUSANDS)

Year		Gross Collections	Distributions		
			Refunds	Abandoned Mine Reclamation Account	Gen. Fund
FY70	Actual	\$264.1			\$264.1
FY71	Actual	268.2			268.2
FY72	Actual	152.9			152.9
FY73	Actual	73.9			73.9
FY74	Actual	192.8			192.8
FY75	Actual	482.0			482.0
FY76	Actual	413.6	\$8.1		405.5
FY77	Actual	203.2	0.4		202.8
FY78	Actual	273.5	4.3		269.2
FY79	Actual	552.3	1.4		551.0
FY80	Actual	1,905.9	0.4		1,905.5
FY81	Actual	2,145.2	27.6		2,117.6
FY82	Actual	2,449.4	4.7		2,444.7
FY83	Actual	687.6	14.3		673.3
FY84	Actual	1,106.2	0.9		1,105.3
FY85	Actual	676.1	90.9		585.2
FY86	Actual	380.6	12.0		368.7
FY87	Actual	283.5	0.3		283.2
FY88	Actual	570.8	0.0		570.8
FY89	Actual	215.8	2.6		213.2
FY90	Actual	278.0	25.0		253.0
FY91	Actual	471.8	1.0		470.9
FY92	Actual	588.7	3.1		585.7
FY93	Actual	441.7	331.8		109.9
FY94	Actual	487.6	14.4		473.2
FY95	Actual	291.0	1.2		289.9
FY96	Actual	800.8	0.0		800.8
FY97	Actual	764.7	101.4		663.4
FY98	Actual	1,101.3	140.8		960.5
FY99	Actual	2,241.0	258.1		1,982.9
FY00	Actual	1,038.3	1,344.4	353.0	-659.1
FY01	Actual	245.3	64.5	61.5	119.3
FY02	Projection	121.2	0.0	41.2	80.0
FY03	Projection	151.5	0.0	51.5	100.0

INTEREST EARNINGS

Description: (Title 67, Chapter 12, *Idaho Code*)

State Treasurer's income is derived from interest on investments of idle state funds. Investments are made in time certificates of deposit, U.S. Treasury bills, and repurchase agreements. The yield from these investments is related to short-term interest rates, coupled with the amount of fund balances available for the Treasurer to invest. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund. Beginning in fiscal year 2000, all interest earned on the Permanent Building Fund balance is retained by that fund instead of being paid to the General Fund. In addition, beginning in FY 2000, the Treasurer is allowed to invest in certain corporate financial instruments and United States Small Business Administration Loans.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2002 projection includes approximately \$5.4 million of net interest earnings by the Treasurer from the issuance of tax anticipation notes. The FY 2003 projection does not include tax anticipation note interest earnings.

COURT FEES AND FINES

Description: (Sections 1-402 and 19-4705, *Idaho Code*)

Revenues are derived from court fees and from 9% of all fines and forfeitures collected pursuant to the judgment of any court of the state. In the case of Fish and Game law violations, 2.5% goes to the General Fund. Certain court fees were raised in FY 1997.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on an assessment of recent collection history, fee changes, and Idaho population growth.

INSURANCE PREMIUM TAX

Description: (Title 41, Chapters 4, 34, and 39, *Idaho Code*)

Idaho's insurance premium tax is applied at a rate of 2.75% of net direct insurance premiums written in the state, except for title insurance, which is taxed at the rate of 1.5%. Property and casualty insurers with 25% or more of their total assets and life insurers with 25% or more of their total life reserves invested in qualifying Idaho investments may qualify for a reduced tax rate of 1.4%.

Effective July 1, 1997, as a result of legislation changing Chapter 39, all health maintenance organizations became managed care organizations and under Idaho law beginning January 1, 1998, will pay the 2.75% premium tax rate rather than the \$.04 per subscriber head tax.

Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's taxes as reported on the company's filed premium tax return. Prepayment percentages are 60% in June, 20% in September, and 15% in December, with the balance due with the filing in March. The fire insurance premium tax collections are dedicated to the Firemen's Retirement Fund.

The Department of Insurance collects a variety of filing and license fees. These revenues are dedicated to the Insurance Administration Fund to fund operations of the Department of Insurance. At the beginning of each succeeding fiscal year, any balance in the Insurance Administration Fund exceeding the current year appropriation by 25% is transferred to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, agency records of insurers qualifying for the lower rate, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are then run through a simulation model of the cash-flow process to capture the effects on prepayment, filing reconciliation collections, and refunds. FY 1998 collections reflect the revenue impact of managed care organizations changing from payment of the \$.04 head tax to tax payment based on the premium tax rate.

ALCOHOLIC BEVERAGE LICENSES

Description: (Title 23, Chapters 9, 10, and 13, *Idaho Code*)

Revenue is derived from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers at a standard fee.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2002 and FY 2003 are based on a subjective assessment of recent collection history and Idaho population growth.

UNCLAIMED PROPERTY

Description: (Title 14, Chapter 5, *Idaho Code*)

Unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and the like accrue to the state after certain holding periods. Beginning in FY 1983, amounts in the Unclaimed Property Fund exceeding \$100,000 were transferred to the General Fund. Prior to that time, the excess was transferred to the Permanent Building Fund. Beginning in FY 1995, the Tax Commission transferred amounts in the Unclaimed Property Fund exceeding \$250,000 to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of unclaimed property are based on a subjective assessment of recent collection history.

UCC FILINGS

Description: (Sections 30-1-122, 53-262, and 67-910, *Idaho Code*)

The principal source of revenue from the Secretary of State is derived from the filings of articles of incorporation. Many other miscellaneous fees, such as Uniform Commercial Code (UCC) filing fees and notary fees, are collected by the Secretary of State. From July 1, 1996 to June 30, 2000, most of the revenue collected accrued to the Commercial Affairs Administrative Account. Since the beginning of fiscal year 2001, these monies accrue to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of revenue from this source are based on a subjective assessment of recent collection history, recent tax law changes, and agency expectations.

ESTATE AND TRANSFER TAX

Description: (Title 14, Chapter 4, *Idaho Code*)

The Idaho Estate and Transfer tax is known as a "Pick Up" Tax. The federal code allows a decedent's estate to take a credit against state estate taxes paid, up to certain limits, based on the total size of the estate. The amount of this allowable federal credit for Idaho is calculated based on federal statute. The amount of Idaho Estate and Transfer Tax due is equal to this credit. The Federal Economic Growth and Tax Relief Reconciliation Act of 2001 phases out this credit in equal steps over the four-year period beginning with 2002. As a result, the amount of Idaho Estate and Inheritance Tax collected will eventually disappear. Ten percent of the amount collected is distributed to the county of probate and the remainder, net of refunds, accrues to the state's General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The FY 2002 and FY 2003 General Fund revenue projection for this source is based on a trend analysis of past collections and judgment.

OTHER DEPARTMENTS AND TRANSFERS

The primary revenue sources for this miscellaneous category are receipts from the Department of Finance, Department of Lands, Department of Administration, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. Environmental violation penalties assessed by the Division of Environmental Quality are an irregular income source. The annual transfer to the General Fund from the Federal Power Act (through the State Treasurer) is also included. However, the unpredictable nature of other items included in this source is evidenced by the collection history.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of miscellaneous General Fund revenues for FY 2002 and FY 2003 are based on a subjective assessment of recent collection history and expected transfers.

MISCELLANEOUS REVENUES

(\$THOUSANDS)

Year		Distributions to General Fund							
		Estate Tax	Interest Earnings	Court Fees & Fines	Insurance	Alcoholic Beverage Licenses	Un- Claimed Property	UCC Filings	Other Depts. and Transfers
					Premium Tax				
FY70	Actual	0.0	\$3,216.1	\$1.8	\$4,831.5	\$444.2	\$0.0	\$873.6	\$1,473.4
FY71	Actual	0.0	3,151.1	310.5	5,345.7	477.3	0.0	683.7	685.9
FY72	Actual	0.0	2,172.5	868.1	6,024.1	526.0	0.0	834.6	1,790.0
FY73	Actual	0.0	3,055.8	1,056.4	6,664.1	530.6	0.0	1,192.1	2,023.5
FY74	Actual	0.0	5,895.8	1,188.1	7,471.6	555.0	0.0	935.2	922.4
FY75	Actual	0.0	7,790.3	1,141.5	7,945.6	573.4	0.0	1,130.2	632.5
FY76	Actual	0.0	7,013.4	1,242.0	8,915.8	593.0	0.0	1,051.3	1,603.0
FY77	Actual	0.0	5,529.3	1,268.1	10,693.5	624.7	0.0	986.3	626.2
FY78	Actual	0.0	5,465.2	1,446.6	12,175.2	654.4	0.0	1,536.3	647.9
FY79	Actual	0.0	7,382.4	1,618.6	13,555.0	670.4	0.0	1,181.8	845.6
FY80	Actual	0.0	12,946.3	1,894.8	14,894.7	719.6	0.0	1,521.9	710.5
FY81	Actual	0.0	10,257.4	1,850.8	14,845.9	918.9	0.0	1,510.4	902.1
FY82	Actual	0.0	12,282.6	2,036.1	15,442.0	911.5	0.0	512.1	2,108.0
FY83	Actual	0.0	8,663.9	2,109.6	22,345.0	939.6	175.3	538.9	6,996.0
FY84	Actual	0.0	12,227.9	2,154.9	16,730.0	932.2	597.0	559.6	1,478.3
FY85	Actual	0.0	10,931.1	2,355.3	18,329.8	1,033.8	1,304.9	571.6	5,672.5
FY86	Actual	0.0	9,549.6	2,544.1	20,867.5	1,052.5	906.7	624.3	6,757.2
FY87	Actual	0.0	7,615.7	2,800.7	21,257.1	1,059.9	866.3	953.8	10,492.8 ¹
FY88	Actual	0.0	10,010.0	2,860.1	31,182.3	1,035.8	997.7	1,083.0	2,108.0 ²
FY89	Actual	0.0	16,178.4	3,135.9	26,217.5	1,033.9	744.9	1,010.6	3,544.5 ³
FY90	Actual	0.0	17,552.6	3,426.1	25,209.2	1,081.5	1,155.7	1,073.4	2,429.6 ⁴
FY91	Actual	0.0	19,387.7	3,331.7	28,643.7	994.5	1,145.4	1,165.6	2,440.1 ⁵
FY92	Actual	0.0	11,810.0	3,390.7	31,944.9	1,010.2	1,353.3	1,396.1	2,580.6 ⁶
FY93	Actual	0.0	10,540.0	3,210.0	28,810.0	960.0	1,335.5	907.6	912.4
FY94	Actual	0.0	10,611.2	3,721.9	33,193.5	1,039.0	1,707.9	784.0	4,904.4 ⁷
FY95	Actual	0.0	15,000.0	3,894.0	34,934.6	1,072.3	2,089.2	854.5	3,635.2 ⁸
FY96	Actual	0.0	18,541.4	4,244.8	36,126.4	1,047.9	1,387.1	941.2	3,566.1 ⁹
FY97	Actual	0.0	18,243.0	4,707.9	40,262.5	1,140.9	829.4	26.2	3,381.5 ¹⁰
FY98	Actual	0.0	17,930.0	5,016.3	42,846.5	1,151.6	1,168.0	33.0	3,668.7 ¹¹
FY99	Actual	0.0	18,686.7	5,131.7	45,465.2	1,158.1	1,588.9	11.6	5,659.7 ¹²
FY00	Actual	0.0	21,559.7	5,305.7	46,431.9	1,300.2	2,308.2	22.3	13,427.6 ¹³
FY01	Actual	35,806.8	22,303.6	5,493.5	55,880.8	1,224.4	5,809.6	2,007.0	20,708.1 ¹⁴
FY02	Projected	8,400.0	16,500.0	5,000.0	53,039.0	1,150.0	1,500.0	2,100.0	21,230.0 ¹⁵
FY03	Projected	6,700.0	12,200.0	5,100.0	54,618.0	1,150.0	1,500.0	2,100.0	17,546.0 ¹⁶

1. Includes a one-time transfer totaling \$9,337,000 from the Water Pollution Control Fund.
2. Includes a one-time reversion of \$204,400 from the University of Idaho.
3. Includes offsetting transfers of \$2.0 million from and to the Water Pollution Control Fund; and \$300,000 borrowed and repaid by the Lottery Commission.
4. Includes off-setting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes on-time transfer of \$125,000 from the Department of Insurance and \$200,000 from the Parks Land Trust.
6. Includes \$513,894 in one-time transfer from State Treasurer's interagency billing and receipts fund in FY 1992.
7. Transfers of: \$3,000,000 from Budget Reserve Fund; \$420,000 from Liquor Fund; and approximately \$350,000 from Department of Finance.
8. Includes a \$1,858,000 transfer from the Department of Finance.
9. Includes a \$1,517,000 transfer from the Department of Finance and a \$145,000 transfer from the Secretary of State.
10. Includes a \$1,117,000 transfer from the Department of Finance.
11. Includes a \$1,567,000 transfer from the Department of Finance.
12. Includes a \$1,245,700 transfer from the Department of Finance, a \$428,000 transfer from the Secretary of State, a \$1,102,395 recovery of cost allocation expenses.
13. Includes a \$1,694,300 transfer from the Department of Finance, a \$574,800 transfer from the Secretary of State, a \$1,203,400 recovery of cost allocation expenses.
14. Includes a \$2,241,970 transfer from the Department of Finance, a \$2,575,000 transfer from the Secretary of State, a \$1,407,407 recovery of cost allocation expenses, a \$5,000,000 transfer from the Department of Environmental Quality, and a \$500,000 transfer from the Department of Lands.
15. Includes a \$2,363,362 transfer from the Department of Finance, a \$1,150,900 recovery of cost allocation expenses, a \$1,046,600 transfer from the Department of Environmental Quality, and a \$7,049,200 transfer for Attorney General fees.
16. Includes a \$1,150,000 recovery of cost allocation expenses and a \$7,300,000 transfer for Attorney General fees.

Idaho's Tax Structure

Exemptions, Credits, Exclusions and Deductions

INTRODUCTION

This report is a comprehensive guide to the structure of Idaho's primary General Fund revenue sources. It provides a detailed examination of the various departures from the broadly defined *base* of the income and sales taxes. These two taxes supply well over 90% of the revenue that goes to the General Fund.

The everyday vernacular refers to these departures from the tax base as *tax breaks*. An analogous term used by fiscal analysts is *tax expenditures*. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The end result is always the same: a tax that is defined on the basis of a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

The following pages provide both an inventory and an explanation of Idaho's sales and income tax expenditures. The goal is to facilitate greater understanding of these important elements of Idaho's overall fiscal structure. It is not an attempt to judge the merits of any particular tax expenditure.

The definition of a tax expenditure (for the purpose of this report) is *any provision of Idaho law that excludes some portion of the tax base on a selective basis*. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of consumption (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government-issued securities) is excused from the income tax.

Limiting the definition of tax expenditures to Idaho tax provisions is arbitrary and is primarily done to limit the scope of this publication. Indeed, many federal income tax provisions have the effect of granting large tax expenditures within Idaho. The mortgage interest deduction is a good example. Although nothing technically prevents Idaho from treating mortgage interest different than the federal tax law, the practical ramifications prevent Idaho from making large deviations from federal tax law. Consequently, this report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Some apparent tax breaks are not really tax expenditures, because their impacts lie outside of the basic definition of the tax base. The sales tax "exemption" for goods purchased for resale is one such case. This is because the sales tax is intended to apply to retail sales, and the "exemption" for goods purchased for resale is the statutory mechanism used to differentiate between retail and wholesale trade. The income tax rate brackets are another example of a tax policy that impacts the amount of revenue produced from the fundamental tax base, but are not considered a selective "exemption" for purposes of this report. That's because all income that falls into a particular bracket is taxed at that bracket's rate, regardless of the overall income (or any other characteristic) of the taxpayer.

This report includes estimates of the cost of each tax expenditure. This is an estimate of how much tax payment is being avoided by the beneficiaries of the tax expenditure. It is not an estimate of the revenue that would be raised by eliminating the tax expenditure. Several additional factors need to be considered when producing a revenue estimate associated with any particular tax law change.

In many cases, especially those involving substantial structural changes, tax law changes could reasonably be expected to change the economic behavior of taxpayers. The fiscal estimates included in this report are based on current economic behavior, meaning they reflect an environment that includes the effect of the tax expenditure. It should be noted that in many cases even the fiscal estimates based on the actual tax structure are difficult to produce. Attempting to factor in behavioral adjustments can add a substantial amount of complexity to the fiscal analysis.

Another factor that is not reflected in these fiscal estimates is the amount of tax gap. The tax gap is the difference between the theoretical amount of revenue associated with eliminating a particular tax expenditure and the actual revenue that would be realized. The probable size of the “tax gap” is impacted by a number of variables, including the manner in which a tax exemption is removed and the amount of resources that are allocated to compliance and collection efforts. Clearly these are variables that are “unknowable” prior to any specific proposal for law changes.

Tax expenditures are placed in the law for a variety of reasons. The primary reasons are to encourage a particular behavior on the part of taxpayers, to provide fiscal relief to particular taxpayers, or to simplify the administration of the tax laws.

In many cases, tax expenditures have an alternative, appropriation-based method for accomplishing the policy objective behind the tax expenditure. Often, the appropriation-based alternative will have significant differences (relative to the tax expenditure) in terms of overhead cost and public policy ramifications.

Overhead cost comparisons associated with tax expenditures vs. appropriations depend on the specific circumstances of the particular tax expenditure/appropriation alternative being considered, and the “value” of both is difficult to examine.

This is particularly the case with sales and income tax expenditures that are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The secrecy of sales and income tax information is protected under felony penalty provisions. The confidentiality associated with tax expenditures seriously inhibits close scrutiny, and makes it difficult or impossible to establish the “value” (as opposed to the cost) of the tax expenditure.

Tax expenditures “cost” the public in the form of lost revenue that could otherwise be used to fund appropriations or reduce tax rates. However, the estimates of the amount of lost revenue contained in this report do not take into consideration the overhead that would be needed to collect the lost revenue. That overhead can vary from very large, as in the case of tax expenditures that are for the purpose of simplifying tax administration, to negative, as in the case of a tax expenditure that in itself increases the administrative costs associated with the particular tax.

INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho's income tax is a flat 7.6% on corporate income and a maximum of 7.8% on individual income. Rates on individuals vary from a low of 1.6% to a top rate of 7.8%. Idaho's individual income tax brackets are adjusted each year for inflation.

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho's policy discretion but are not considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective with regard to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal adjusted gross income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are **not** Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

The principal Idaho income tax expenditures relating to uses of income are:

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Technological Equipment Deduction
- Alcohol/Gasohol Production Deduction - *Repealed*
- Alternative Energy Device Deduction
- Insulation Deduction
- Workers' Compensation Premium Deduction
- Child Care Deduction
- College Savings Deduction
- Health Insurance Deduction

Elderly and Development Disability Deduction
Adoption Expense Deduction
Medical Savings Account Deduction
New Employee Credit
Riparian Land Improvements (Sunsets 2002)
Broadband Investment Credit (Sunsets 2005)
County Incentive Investment Credit (only 2000)
Research Activity Credit (Sunsets 2005)

The principal Idaho income tax expenditures relating to sources of income are:

Capital Gains Exclusion
Government Interest Exclusion
Social Security Exclusion
Railroad Retirement Exclusion
Retirement Benefit Exclusion
Idaho Lottery Winnings Exclusion
Indian Earnings on Reservation Exclusion
World War II Reparations Exclusion
Marriage Penalty Deduction

SALES AND USE TAX

The Idaho sales tax is a transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

The rate of Idaho's sales tax is a flat 5%. No partial exemptions exist (that is, nothing is taxed at a rate below 5% but above 0%).

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable (and therefore are excluded from this compilation of tax expenditures) are "Hotels and Other Lodging Places" (SIC Major Group 70), "Amusement and Recreation Services" (SIC Major Group 79), and "Motion Pictures" (SIC Major Group 78).

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the *use* of the good or service, exemptions based on the *specific good or service* being purchased, and exemptions based on the *individual or entity* making the purchase or sale.

Principal Idaho sales tax expenditures relating to specific uses are:

- Production Exemption - Equipment
- Production Exemption - Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sales of Businesses or Business Assets
- Food Stamps/WIC
- Motor Vehicles Used Outside of Idaho
- Common Carrier Purchases and Out-of-State Sales

Donations of Real Property to Idaho Government
Incidental Sales of Tangible Personal Property
Lodging, Eating, and Drinking Places
School Lunches and Senior Citizen Meals
Drivers Education Automobiles
Ski Lifts and Snow-grooming Equipment
Clean Rooms

Principal Idaho sales tax expenditures relating to specific goods and services are:

Goods Not Taxed

Motor Fuels
Heating Materials
Utility Sales
Used Mobile Homes
Vending Machines and Amusement Devices
Prescriptions and Durable Medical Equipment
Funeral Caskets
Containers
Nonprofit Literature
Official Documents
Precious Metal Bullion
New Manufactured Homes or Modular Buildings
Telecommunications Equipment

Services Not Taxed

Construction
Agricultural and Industrial Services
Transportation Services
Communications
Repairs
Professional Services
Business Services
Personal Services
Health and Medical Services
Social Services
Educational Services
Lottery Tickets and Pari-Mutuel Betting
Media Measurement Services
Miscellaneous Services

Principal Idaho sales tax expenditures relating to specific entities are:

Educational Institution Purchases
Hospital Purchases
Health Entity Purchases
Canal Company Purchases
Forest Protective Association Purchases
Food Bank Purchases
Non-sale Clothier Purchases
Centers for Independent Living
State of Idaho and Local Government Purchases
Ronald McDonald House Rooms
INEEL R&D Purchases
Motor Vehicle Purchases by Family Members
Sales by 4-H and FFA Clubs at Fairs
Sales by Non-Retailers (Yard and Occasional Sales)
Sales by Indian Tribes on Reservations
Sales of Meals by Churches to Members
Sales by Outfitters and Guides
Sales Through Vending Machines
Auto Manufacturer Rebates
Incidental Sales of Churches
Federal Excise Tax Imposed at Retail Level
Federal Constitutional Prohibitions
Federal and State Statutory Prohibitions

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

1.00 Income Tax Expenditures (Calendar Year Basis)

Uses of Income Not Taxed

	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY2000</u>	<u>CY2001</u>	<u>CY2002</u>	<u>CY2003</u>
1.01 Investment Tax Credit	\$22,438	\$29,051	\$34,168	\$31,727	\$29,747	\$32,537
1.02 Other States Tax Credit	\$27,676	\$26,944	\$29,106	\$30,463	\$31,594	\$33,568
1.03 Elderly Dependent Credit	\$313	\$336	\$341	\$345	\$349	\$353
1.04 Youth & Rehab Credit	\$4,267	\$4,991	\$5,353	\$5,468	\$5,364	\$5,770
1.05 Schools & Libraries Credit	\$2,233	\$2,408	\$2,603	\$2,724	\$3,448	\$3,664
1.06 Grocery Credit	\$17,931	\$18,161	\$18,471	\$24,357	\$24,657	\$24,940
1.07 Recycled Products Credit	\$4	\$15	\$25	\$25	\$25	\$25
1.08 Technological Equipment Deduction	\$67	\$77	\$81	\$81	\$84	\$88
1.09 Long-term Care Insurance	\$0	\$0	\$0	\$455	\$455	\$455
1.10 Alternative Energy Device Deduction	\$265	\$269	\$286	\$286	\$296	\$314
1.11 Insulation Deduction	\$443	\$451	\$479	\$478	\$495	\$525
1.12 Workers' Comp. Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$401
1.13 Child Care Deduction	\$2,932	\$3,152	\$3,145	\$3,022	\$3,037	\$3,045
1.14 College Saving Deduction	\$0	\$0	\$5	\$187	\$377	\$383
1.15 Health Insurance Deduction	\$0	\$0	\$1,600	\$6,200	\$5,900	\$4,500
1.16 Elderly & Dev. Dis. Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.17 Adoption Expenses Deduction	\$44	\$47	\$43	\$43	\$43	\$43
1.18 Medical Savings Accounts	\$1,014	\$1,149	\$1,220	\$1,277	\$1,324	\$1,407
1.19 New Employees Credit	\$0	\$8	\$188	\$1,760	\$115	\$175
1.20 Riparian Land Improvements	\$0	\$38	\$250	\$250	\$250	\$250
1.20a Broadband Investment Credit	\$0	\$0	\$0	\$3,500	\$3,500	\$3,500
1.20b County Incentive Investment Tax Credit	\$0	\$0	\$0	\$7,200	\$0	\$0
1.20c Research & Development Credit	\$0	\$0	\$0	\$7,000	\$7,000	\$7,000

Sources of Income Not Taxed

1.21 Capital Gains Exclusion	\$11,436	\$12,061	\$12,958	\$17,962	\$14,065	\$14,945
1.22 Government Interest Exclusion	\$6,259	\$5,858	\$6,023	\$5,887	\$5,764	\$6,196
1.23 Social Security Exclusion	\$17,986	\$20,065	\$21,184	\$22,207	\$23,783	\$24,941
1.24 Railroad Retirement Exclusion						
1.25 Retirement Benefit Exclusion	\$3,684	\$3,995	\$4,203	\$4,349	\$4,644	\$4,861
1.26 Idaho Lottery Winnings Exclusion	\$3,902	\$4,090	\$4,221	\$4,115	\$4,183	\$4,252
1.27 Indian Earnings on Reservation Exclusion	\$314	\$332	\$357	\$374	\$387	\$412
1.28 World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.29 Marriage Penalty	\$0	\$1,191	\$11,535	\$11,487	\$11,998	\$12,485

2.00 Sales Tax Expenditures (Fiscal Year Basis)

Specific Uses Not Taxed

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
2.01 Production Exemption Equipment	\$56,319	\$62,318	\$64,084	\$57,042	\$58,483	\$65,430
2.02 Production Exemption Supplies	\$42,634	\$47,175	\$48,511	\$43,181	\$44,272	\$49,530
2.03 Irrigation Equipment & Supplies	\$2,370	\$2,429	\$2,490	\$2,552	\$2,616	\$2,681
2.04 Pollution Control Equipment	\$2,877	\$2,949	\$3,375	\$3,166	\$3,142	\$3,290
2.05 Broadcast Equipment	\$1,555	\$1,721	\$1,769	\$1,575	\$1,615	\$1,807
2.06 Publication Equipment	\$100	\$110	\$113	\$101	\$104	\$116
2.07 Commercial Aircraft	\$1,500	\$1,500	\$1,500	\$1,575	\$1,575	\$1,575
2.08 Railroad Rolling Stock & Remanufacturing	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125
2.09 Interstate Trucks	\$4,216	\$4,670	\$4,853	\$4,834	\$5,094	\$5,466
2.10 Out-of-State Contracts	\$2,592	\$2,868	\$2,949	\$2,625	\$2,691	\$3,011
2.11 Trade-in Value	\$17,997	\$19,939	\$20,717	\$20,639	\$21,746	\$23,336
2.12 Sales of Businesses or Business Assets	\$1,230	\$1,361	\$1,400	\$1,246	\$1,277	\$1,429
2.13 Food Stamps/WIC	\$2,810	\$2,864	\$3,010	\$3,078	\$3,156	\$3,295
2.14 Motor Vehicles used Outside of Idaho	\$10,053	\$11,137	\$11,572	\$11,528	\$12,146	\$13,034
2.15 Common Carrier Purchases & Out-of-State Sales	NA	NA	NA	NA	NA	NA
2.16 Donation of Real Property to Idaho Gov't	\$3	\$3	\$3	\$3	\$3	\$3
2.17 Incidental Sales of Tangible Personal Property	\$10	\$10	\$10	\$10	\$10	\$10
2.18 Lodging, Eating, & Drinking Places	\$39	\$42	\$45	\$46	\$47	\$50
2.19 School Lunches & Senior Meals	\$1,867	\$1,939	\$2,021	\$2,095	\$2,141	\$2,200
2.20 Driver's Education Automobiles	\$32	\$32	\$32	\$32	\$32	\$33
2.21 Ski Lifts and Snowgrooming Equipment	\$500	\$500	\$500	\$500	\$501	\$502
2.21a Clean Rooms	\$0	\$200	\$400	\$400	\$400	\$400

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

2.00 Sales Tax Expenditures (Fiscal Year Basis)

<i>Goods Not Taxed</i>		<u>FY 1999</u>	<u>FY 2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
2.22	Motor Fuels	\$33,982	\$44,211	\$50,196	\$48,426	\$49,344	\$52,179
2.23	Heating Materials	\$2,140	\$2,591	\$3,064	\$2,345	\$2,658	\$2,898
2.24	Utility Sales	\$45,470	\$46,265	\$47,020	\$47,674	\$48,233	\$48,763
2.25	Used Mobile Homes	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
2.26	Vending Machines & Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.27	Prescriptions & Durable Medical Equipment	\$11,077	\$11,677	\$12,438	\$13,222	\$14,159	\$15,179
2.28	Funeral Caskets	\$667	\$710	\$761	\$793	\$837	\$890
2.29	Containers	\$18	\$20	\$21	\$21	\$22	\$23
2.30	Nonprofit Literature	\$78	\$89	\$91	\$92	\$93	\$94
2.31	Official Documents	\$43	\$44	\$45	\$45	\$46	\$46
2.32	Precious Metal Bullion	\$465	\$465	\$465	\$465	\$465	\$465
2.33	New Manufactured Homes & Modular Buildings	\$1,275	\$1,354	\$1,397	\$1,538	\$1,600	\$1,668
2.34	Telecommunications Equipment	\$411	\$453	\$498	\$548	\$602	\$663
<i>Services Not Taxed</i>							
2.35	Construction	\$71,686	\$77,967	\$86,845	\$88,748	\$88,789	\$90,393
2.36	Agricultural & Industrial Services	\$4,136	\$4,332	\$4,556	\$4,754	\$4,971	\$5,205
2.37	Transportation Services	\$11,736	\$12,352	\$12,986	\$12,933	\$13,634	\$14,629
2.38	Communications	\$24,144	\$24,678	\$25,218	\$25,645	\$26,068	\$26,512
2.39	Repairs	\$23,005	\$24,504	\$26,241	\$27,351	\$28,855	\$30,710
2.40	Professional Services	\$130,068	\$138,549	\$148,371	\$154,644	\$163,153	\$173,639
2.41	Business Services	\$27,015	\$28,776	\$30,816	\$32,118	\$33,885	\$36,063
2.42	Personal Services	\$7,629	\$8,126	\$8,702	\$9,070	\$9,569	\$10,184
2.43	Health & Medical Services	\$133,181	\$140,398	\$149,547	\$158,976	\$170,233	\$182,499
2.44	Social Services	\$40,157	\$42,775	\$45,807	\$47,743	\$50,370	\$53,606
2.45	Educational Services	\$10,745	\$11,445	\$12,256	\$12,774	\$13,477	\$14,343
2.46	Lottery & Pari-Mutuel Betting	\$6,050	\$5,989	\$6,177	\$6,373	\$6,576	\$6,787
2.47	Media Measurement Services	\$40	\$41	\$42	\$44	\$45	\$46
2.48	Miscellaneous Services	\$10,006	\$10,523	\$11,112	\$11,499	\$12,003	\$12,614
<i>Specific Entities Not Taxed</i>							
2.49	Educational Institution Purchases	\$4,333	\$4,746	\$5,132	\$5,135	\$5,318	\$5,549
2.50	Hospital Purchases	\$9,947	\$10,486	\$11,170	\$11,874	\$12,715	\$13,631
2.51	Health Entity Purchases	\$90	\$200	\$213	\$219	\$230	\$244
2.52	Canal Company Purchases	\$652	\$667	\$683	\$693	\$706	\$723
2.53	Forest Protective Associations Purchases	\$29	\$29	\$30	\$30	\$31	\$32
2.54	Food Bank Purchases	\$135	\$145	\$155	\$159	\$167	\$177
2.55	Nonsale Clothiers	\$1	\$1	\$1	\$1	\$1	\$1
2.56	Centers for Independent Living	\$3	\$3	\$3	\$3	\$3	\$4
2.57	Idaho State & Local Government Purchases	\$13,379	\$15,651	\$17,905	\$18,350	\$18,795	\$20,076
2.58	Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.59	INEEL R&D Purchases	\$3,180	\$3,468	\$3,614	\$3,233	\$3,299	\$3,658
2.60	Motor Vehicle Purchases by Related Parties	\$1,180	\$1,307	\$1,358	\$1,353	\$1,425	\$1,529
2.61	Sales by 4H & FFA Clubs at Fairs	\$23	\$23	\$23	\$23	\$23	\$23
2.62	Sales by Non-Retailers (Yard & Occasional Sales)	\$1,543	\$1,659	\$1,768	\$1,818	\$1,906	\$2,025
2.63	Sales by Indian Tribes on Reservations	\$2,500	\$2,713	\$2,888	\$2,931	\$3,042	\$3,219
2.64	Sales of Meals by Churches to Members	\$7	\$7	\$8	\$8	\$8	\$8
2.65	Sales by Outfitters & Guides	\$13	\$13	\$13	\$13	\$13	\$13
2.66	Sales through Vending Machines	\$1,295	\$1,374	\$1,444	\$1,477	\$1,515	\$1,581
2.67	Auto Manufacturers' Rebates	\$389	\$431	\$448	\$446	\$470	\$505
2.68	Incidental Sales of Churches	\$387	\$416	\$443	\$455	\$477	\$507
2.69	Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.70	Constitutionally Prohibited	NA	NA	NA	NA	NA	NA
2.71	Statutorily Prohibited	NA	NA	NA	NA	NA	NA

TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the expenditure's *Idaho Code* reference, a brief description of its features, and its significant legislative and judicial history.

INDIVIDUAL AND CORPORATE INCOME TAX

Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly or partially exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly or partially exempt from taxation. Credits are deductions from the tax itself that are expressed either as a percentage of some qualifying amount or as a lump sum. Credits may be further divided into those that are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund, and those that are non-refundable, meaning that they are only usable if there is a tax liability to offset.

In general, deductions and exclusions must be used in the year they are incurred, with the exception of business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. Unlike the sales tax, the Idaho income tax is deductible from federal income taxes. This applies to all corporate taxpayers and to individual taxpayers who itemize their deductions. This means that the "benefit" of an Idaho income tax expenditure is split between Idaho taxpayers and the federal treasury. The terms of the split depend on the marginal federal tax rate of the taxpayer. For a taxpayer in the 36% federal bracket, the benefit of each dollar of Idaho tax expenditure is split \$.64 to the taxpayer, \$.36 to the federal treasury. This feature of the income tax is particularly significant in assessing the cost effectiveness of an Idaho tax expenditure as an incentive for some particular behavior.

1.01 Investment Tax Credit *Idaho Code 63-3029B*

Description: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 50% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to fourteen years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to make

technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduce the portion of tax liability that could be offset from 50% to 45%, and eliminated a restriction on replacement property. It was amended in 2000 to increase the portion of tax liability that could be offset from 45% to 50%, and to extend the carryover period from seven to fourteen years.

1.02 Other States Tax Credit *Idaho Code 63-3029*

Description: The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double-taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

History: Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation.

1.03 Elderly Dependent Credit *Idaho Code 63-3025D*

Description: This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is \$100 for each such family member, with no more than \$300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and development disability deduction allowed under *Idaho Code*, Section 63-3022E (see item 1.16).

History: Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

1.04 Youth and Rehabilitation Credit *Idaho Code 63-3029C*

Description: This is a credit provided to taxpayers who make charitable contributions to the Anchor House, the North Idaho Children's Home, the Idaho Youth Ranch, the Children's Home Society of Idaho, Inc., a center for independent living located within the State of Idaho, or to a non-profit rehabilitation facility that is located in Idaho and accredited by the Commission on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers the credit is limited to the lesser of \$100 or 20% of the taxpayer's income tax liability. For corporations the credit is limited to the lesser of \$500 or 10% of the taxpayer's income tax liability. There is no carry over provision.

History: The credit was enacted in 1982. The Anchor House was added in 1986. The Children's Home Society and centers for independent living were added in 1998. The Hope House, Inc. was added in 1999.

1.05 Schools, Libraries, and Museums Credit *Idaho Code 63-3029A*

Description: A credit is allowed for charitable contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho State Library; or to non-profit public or private museums located within Idaho. The credit is 50% of the contribution. In the case of individuals, it is limited to 20% of the taxpayer's income tax liability or \$50 whichever is less. In the case of corporations, the credit is limited to 10% of the tax liability or \$500 whichever is less.

History: Originally enacted in 1976, the school credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Non-profit museums were added in 1994. The Idaho State Library was added in 1998. University related research parks were added in 1999.

1.06 Grocery Credit *Idaho Code 63-3024A*

Description: This credit is available to every Idaho resident (or part-year resident) who appears as a personal exemption on an Idaho income tax return. It is not available to Idaho residents who do not have sufficient income to meet Idaho's income tax filing requirement unless they are over 62 years of age, are blind, or are a disabled American veteran. The credit amount is \$20 for individuals under 65 years of age, \$35 for individuals 65 years of age or older. Part-year residents are entitled to a proportionate credit reflecting the portion of the year they were domiciled in Idaho. There are no carry-over provisions associated with the grocery credit.

History: The grocery credit was originally enacted in 1965. It was amended in 1972 to make the credit refundable for residents over 65 years of age. It was amended in 1975 to make it refundable for resident taxpayers of all ages who meet the filing requirements. It is not refundable to non-residents. The grocery credit was amended in 1978 to raise the credit for individuals 65 years of age and older from \$20 to \$30. It was amended in 1983 to add statute of limitation to the credit. It was amended in 1996 to restrict the credit to residents. The grocery credit was amended in 2001 to raise the credit from \$15 to \$20 for individuals under 65 years of age and from \$30 to \$35 for individuals 65 years of age and older.

1.07 Recycling Equipment Credit *Idaho Code 63-3029D*

Description: This credit is for 20% of the cost of equipment used in manufacturing products that consist of at least 90% post-consumer waste. The credit is limited to no more than \$30,000 in a single tax year, and unused portions may be carried forward up to seven years. It is non-refundable.

History: This credit was enacted in 1994.

1.08 Technological Equipment Deduction *Idaho Code 63-3022J*

Description: A deduction from taxable income is allowed to individuals and corporations for the fair-market value of computers and scientific equipment (and computer software) that are donated to Idaho public schools, public libraries, or public and private colleges and universities. The equipment may not be over five years old at the time of donation, and the recipient must issue a written statement accepting the donation. The deduction cannot reduce taxable income to less than zero.

History: This deduction was enacted for schools in 1984 as 63-3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63-3022J in 1995.

1.09 Long-Term Care Insurance *Idaho Code 63-3022P*

Description: This deduction from Idaho taxable income is for 50% of premiums for long-term care insurance.

History: Enacted in 2001.

1.10 Alternative Energy Devices Deduction *Idaho Code 63-3022C*

Description: The Alternative Energy Device Deduction allows a deduction for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices in the taxpayer's residence. The deduction is limited to 40% of the cost in the first year and 20% of the cost in the next three years. No single year's deduction may exceed \$5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

History: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Division of Environmental Quality.

1.11 Insulation Deduction *Idaho Code 63-3022B*

Description: This deduction is for the cost of insulation installed in buildings that "existed" as of January 1, 1976 and served as a residence of the taxpayer. A building "existed" if it was already built, under construction, or subject to an outstanding building permit. The insulation cannot be replacement for existing insulation.

History: Enacted in 1976.

1.12 Workers' Compensation Premium Deduction *Idaho Code 63-3022(p)*

Description: This deduction is allowed to self-employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

1.13 Child Care Deduction *Idaho Code 63-3022D*

Description: The Child Care Deduction allows individual taxpayers to deduct childcare expenses which qualify for purposes of computing the federal child care credit. The maximum deduction allowed is \$2,400 for one qualifying child and \$4,800 for two or more qualifying children.

History: This deduction was enacted in 1977 in response to the federal switch from a deduction to a credit.

1.14 College Savings Deduction *Idaho Code 63-3022(o)*

Description: A deduction is allowed for amounts contributed to a college savings program (as defined in Chapter 54, Title 33, *Idaho Code*). The deduction is limited to a maximum of \$4,000 per tax year.

History: Enacted in 2000.

1.15 Health Insurance Deduction *Idaho Code 63-3022O, 63-3022P*

Description: A deduction is allowed for payments for health insurance so long as those payments were not otherwise deductible from taxable income.

History: Enacted in 2000 for self-employed persons; added all persons in 2001.

1.16 Elderly and Development Disability Deduction *Idaho Code 63-3022E*

Description: This is a deduction from taxable income of \$1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be either 65 years of age or older, or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is \$3,000.

History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

1.17 Adoption Expense Deduction *Idaho Code 63-3022I*

Description: This deduction is for up to \$3,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994.

1.18 Medical Savings Account Deduction *Idaho Code 63-3022(r)-(t); 41-53xx*

Description: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of \$2,000 per taxpayer (per spouse on joint returns). Other restrictions apply.

History: This deduction was originally enacted in 1994. Amended in 1995 to eliminate a restriction to high-deductible insurance policies, eliminated administrative responsibilities from the depository institution, and allowed taxpayer funded accounts to qualify.

1.19 New Employees Credit *Idaho Code 63-3029F*

Description: A \$500 credit is granted for each new employee in a business involved in manufacturing or processing any natural resource product. The amount of credit that can be claimed in any one tax year is limited (along with most other credits) to 45% of the tax otherwise imposed, and may not exceed 3.25% of the taxpayer's net income. Unused credits may be carried forward up to 3 years. For tax year 2001 only the credit is extended to all new employees.

History: Enacted in 2000. Amended in 2001 to cover all new employees, but only for tax year 2001.

1.20 Riparian Land Improvements *Idaho Code 63-3024B*

Description: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more than \$2,000 per person per year, and no more than \$250,000 for all such credits allowed in a single tax year.

History: Enacted in 1997, effective January 1, 1998, sunsets December 31, 2002.

1.20a Broadband Investment Credit *Idaho Code 63-3029I*

Description: This is a 3% credit for expenditures in qualified broadband equipment in Idaho. The credit is limited to no more than \$750,000 per taxpayer per year, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable (sellable) to other taxpayers.

History: Enacted in 2001, effective January 1, 2001, sunsets December 31, 2005.

1.20b County Incentive Investment Tax Credit *Idaho Code 63-3029J*

Description: This is a variable rate credit for expenditures that qualify for Idaho's Investment Tax Credit (see 1.01). Its rate is the greater of one-half of the amount by which the average three-year unemployment rate in the county in which the property is located exceeds 6%, or one-tenth of one percentage point for each full percentage point the three-year average per-capita income level in the county in which the property is located is below 90% of the statewide average per-capita income level. The credit is limited to no more than \$500,000 per taxpayer, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable (sellable) to other taxpayers.

History: Enacted in 2001, effective January 1, 2001, sunsets December 31, 2001.

1.20c Research Activity Credit *Idaho Code 63-3029G*

Description: This is a 5% credit for expenditures related to qualified research as defined in section 41 of the Internal Revenue Code. The research must be conducted in Idaho. The credit is limited to no more than the taxpayer's liability after all other credits in a single tax year.

History: Enacted in 2001, effective January 1, 2001, sunsets December 31, 2005.

1.21 Capital Gains Exclusion *Idaho Code 63-3022H*

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale, and is limited to real property held for at least eighteen months; tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for twelve months or longer; cattle or horses held for twenty-four months or longer; other breeding livestock held twelve months or longer; or timber held for over twenty-four months or longer.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho, and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to eighteen months.

1.22 Government Interest Exclusion *Idaho Code 63-3022(a)*

Description: This exclusion is for the amount of interest earned on securities issued by the State of Idaho and/or local governments, and interest earned on securities issued by the federal government. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the value of assets subject to the government interest exclusion, to the value of the taxpayer's assets in total.

History: This exclusion has been in effect since enactment of the income tax.

1.23 Social Security Exclusion *Idaho Code 63-3022(o)*

Description: This exclusion is for the amount of social security income that is included in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

1.24 Railroad Retirement Exclusion *Idaho Code 63-3022(o)*

Description: This exclusion is for the amount of railroad retirement benefits paid by the Railroad Retirement Board that are included in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

1.25 Retirement Benefit Exclusion *Idaho Code 63-3022A*

Description: This exclusion is for retirement benefits paid by any of the following: a) U.S. civil service; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) U.S. Military. The exclusion is available to either retirees or un-remarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The

exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less.

History: This exclusion was enacted in 1973. It is revised annually by the Tax Commission to adjust the maximum exclusion amount.

1.26 Idaho Lottery Winnings Exclusion *Idaho Code 67-7439*

Description: Excludes Idaho Lottery prizes of less than \$600 from taxable income.

History: Originally enacted in 1988 as a 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 (effective 1/1/98). Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

1.27 Indian Earnings on Reservation Exclusion *Idaho Income Tax Regulation 30*

Description: Income earned on an Indian reservation by an Indian who lives on the reservation is not taxable by the state. To qualify for the exclusion, the Indian must be an enrolled member of a federally recognized Indian tribe.

History: This exclusion is the result of various treaties and case law.

1.28 World War II Reparations Exclusion *Idaho Code 63-3022G*

Description: Amounts paid to individuals from the United States Civil Liberties Public Education fund.

History: Enacted in 1989.

1.29 Marriage Penalty Deduction *Idaho Code 63-3022N*

Description: Idaho joint income tax returns are given an additional standard deduction amount equal to double the single standard deduction less the joint deduction. This deduction is not available to returns that claim itemized deductions.

History: Enacted in 1999 at a level of \$150. Amended in 2000 to make it the difference between the joint standard deduction and two times the single standard deduction.

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.01 through 2.21a cover sales tax expenditures that are related to the specific uses of goods and services; 2.22 through 2.34 cover sales tax expenditures that are related to specific goods; 2.35 through 2.48 cover sales tax expenditures that are related to specific services; and 2.49 through 2.71 cover sales tax expenditures that are related to specific entities that receive exemptions on either all or part of the purchases or sales they make.

The listing for exempt services requires a special note. While a variety of classification systems are possible, the classification used here follows the structure of the Standard Industrial Classification (SIC) Manual, Executive Office of the President, Office of Management and Budget. This classification system was chosen because it is the basis for reporting a considerable variety of economic data, including that used for estimating the revenue impact associated with the various services delineated.

The SIC coding system is based on the primary activity of the establishment being coded. For example, one of the activities included under the major group heading Personal Services is Barber Shops and Beauty Salons. The primary function of these establishments is the performance of haircuts and hair styling, both personal services that are presently exempt from sales tax. However, such establishments will also typically engage in retailing hair care products, transactions that are taxable. Thus, the receipts of a service establishment (such as a barbershop) can contain both exempt and taxable components. This is taken into consideration in the estimates of fiscal impact contained herein.

Another feature of the services classification used in this document relates to the classification of types of services vs. classification of industrial categories. SIC categories include major groupings for Automotive Repair and Miscellaneous Repair Services. Miscellaneous Repair Services includes repairs to televisions, stereos, appliances, tools, watches, jewelry, furniture, and most other tangible property. These two major groups cover the bulk of all "repair services." However, garment repair and shoe repair are included in the major group Personal Services. Also, computer repair is contained in the major group Business Services.

For these reasons, care must be taken in moving from this classification of services (based on SIC definitions) and any other classification of services (based on broader conceptual notions, such as repairs to tangible personal property).

2.01 Production Exemption - Equipment *Idaho Code 63-3622D; 63-3622JJ*

Description: This feature of the production exemption exempts equipment used to produce a taxable product. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, logging, farming, and mining. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify. The only exception to this is logging, where any logging equipment qualifies.

Certain specific exclusions from the production exemption exist. They include: hand tools with a unit purchase price of \$100 or less; equipment that is used in activities other than the actual production activity; equipment used in research and development; equipment used in transportation, including motor vehicles and aircraft that are required to be licensed by any

state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property; recreational vehicles; equipment used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, definition of farming. In 1989, 63-3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment.

2.02 Production Exemption - Supplies *Idaho Code 63-3622D, 63-3622JJ*

Description: This feature of the production exemption exempts supplies used in the process of producing a product for resale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, farming, logging, and mining. The supplies must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its production supplies to qualify. The only exception to this is logging, where any logging supplies qualify.

Certain specific inclusions to the production exemption for supplies exist. They include: repair parts, lubricants, hydraulic oil, coolants, chemicals, catalysts, safety supplies (except for logging), and, in the dairy industry, disinfectants used to clean cow udders or to clean pipes, vats, or other milking equipment. Fuel used in logging trucks is also exempt.

Certain specific exclusions from the production exemption for supplies exist. They include: supplies that are used in activities other than the actual manufacturing, mining, farming, or logging process; supplies used in research or development; supplies used in transportation activities; repair supplies, other than parts for production equipment; any tangible personal property that is or is intended to become a component of real property; supplies used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622(d); custom farmers were added to the production exemption in 1987 by amending 63-3603, definition of farming; contract loggers were added in 1989 by adding 63-3605A. In 1990, logging was moved to a separate section and expanded to allow the exemption to apply to persons who are not primarily engaged in logging. Amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting supplies used to fabricate or install production equipment, and adding safety supplies (except for logging). Amended in 1996 to add all fuel used in logging trucks.

2.03 Irrigation Equipment and Supplies *Idaho Code 63-3622W*

Description: Exempts agricultural irrigation equipment and supplies, even if attached to real property, and even if purchased by a contractor for an agricultural irrigation project.

History: Originally enacted in 1975 as 63-3622(f).

2.04 Pollution Control Equipment *Idaho Code 63-3622X*

Description: Exempts equipment required by regulatory agencies for air or water pollution control.

History: Originally enacted in 1977 as 63-3622(e). Amended in 1997 to add certain dry-cleaning equipment.

2.05 Broadcast Equipment and Supplies *Idaho Code 63-3622S*

Description: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

History: It was originally enacted in 1975 as 63-3622(w) and was amended in 1987 to add aircraft to the exclusions from the exemption.

2.06 Publishing Equipment and Supplies *Idaho Code 63-3622T*

Description: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

History: This exemption was originally enacted in 1979 as 63-3622(x). The only amendment in 1987 to this exemption was to add aircraft to exclusions from the exemption.

2.07 Commercial Aircraft *Idaho Code 63-3622GG*

Description: Exempts aircraft purchased for commercial transport of passengers or freight.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho.

2.08 Railroad Rolling Stock and Remanufacturing *Idaho Code 63-3622CC; 63-3622DD*

Description: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

History: Enacted in 1986.

2.09 Interstate Trucks *Idaho Code 63-3622R*

Description: Exempts trucks weighing over 26,000 pounds that are registered under the international registration plan (or similar prorata system) and trailers that are used in a fleet operating in interstate commerce. Provides a recapture of sales tax on vehicles that are part of a fleet that are not used at least 10% outside Idaho during the calendar year.

History: Enacted in 1989.

2.10 Out-of-State Contracts *Idaho Code 63-3622B*

Description: Exempts goods purchased by contractors to install into real property in nontaxing states.

History: Originally enacted in 1965 as 63-3622(b), it was amended in 1993 to extend to non-Idaho contractors.

2.11 Trade-in Value *Idaho Code 63-3613(b)2*

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods.

History: Enacted in 1965. Amended in 1990 to include trade-downs and barter.

2.12 Sale or Lease of Businesses or Business Assets *Idaho Code 63-3622K(b)(2-5)*

Description: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition section 63-3612A in 1967. Section 63-3612A was repealed and moved to 63-3622K in 1988, then amended in 1990 to add related business transfers and sales. Amended in 1996 to add leases of assets among family-owned businesses.

2.13 Food Stamps/WIC *Idaho Code 63-3622EE; 63-3622FF*

Description: Exempts goods purchased with WIC checks and federal food stamps.

History: Mandated in 1987 by the federal government.

2.14 Motor Vehicles Used Outside of Idaho *Idaho Code 63-3622R*

Description: Exempts vehicles under 26,000 pounds bought in Idaho for use outside Idaho. It also applies to trailers. (See 2.09 Interstate Trucks for vehicles over 26,000 pounds and trailers used in interstate commerce.)

History: Originally enacted as 63-3622(q) in 1965, it exempted vehicles sold in Idaho for use out-of-state. It was amended in 1989 to add weight limit.

2.15 Common Carrier Purchases and Out-of-State Sales *Idaho Code 63-3622Q, 63-3622P*

Description: Exempts goods delivered to buyers outside Idaho (63-3622Q) and in-state purchases by common carriers for use outside Idaho if transported out of Idaho under a bill of lading (63-3622P).

History: Originally enacted as 63-3622(p) and 63-3622(o) in 1965.

2.16 Donations of Real Property to Idaho Government *Idaho Code 63-3621(l)*

Description: Allows an exemption from use tax for goods that are donated to either the State of Idaho or to a nonprofit listed in 63-3622O, where the goods are incorporated into real property.

History: Enacted in 1991.

2.17 Incidental Sales of Tangible Personal Property *Idaho Code 63-3609*

Description: Exempts goods sold incidentally when selling real property, such as a stove and refrigerator included with a home.

History: Enacted in 1985.

2.18 Lodging, Eating, and Drinking Places *Idaho Code 63-3612*

Description: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

History: Enacted in 1988.

2.19 School Lunches and Senior Citizen Meals *Idaho Code 63-3622J*

Description: Exempts federal meals programs for youth and elderly.

History: School Lunch programs were exempted in 1965 as 63-3622(k). Amended in 1974 to add sale of meals to aging persons under the Older Americans Act Program.

2.20 Drivers Education Automobiles *Idaho Code 63-3622R(d)*

Description: Exempts the value of motor vehicles that are temporarily donated to drivers education programs.

History: Enacted in 1995.

2.21 Ski Lifts and Snowgrooming Equipment *Idaho Code 63-3622Y*

Description: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

History: Enacted in 1995.

2.21a Clean Rooms *Idaho Code 63-3622NN*

Description: Exempts any tangible personal property that is used in or becomes a part of a “clean room” used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

History: Enacted in 1999.

2.22 Motor Fuels *Idaho Code 63-3622C*

Description: Exempts motor fuels subject to motor fuels tax; exempts off-road fuels loaded in Idaho and used outside Idaho.

History: Originally enacted in 1965 as 63-3622(c). Exempted on road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

2.23 Heating Materials *Idaho Code 63-3622G*

Description: Exempts wood, coal, gas, and petroleum products used as a source of heat for either industrial or domestic purposes.

History: Originally enacted in 1965 as 63-3622(g).

2.24 Utility Sales *Idaho Code 63-3622F*

Description: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

History: Originally enacted in 1965 as 63-3622(f).

2.25 Used Mobile Homes *Idaho Code 63-3622R*

Description: Exempts the sale of used manufactured homes from the sales tax.

History: Original 63-3622(q) amended in 1976 to exempt used manufactured homes.

2.26 Vending Machines and Amusement Devices *Idaho Code 63-3622H*

Description: Exempts coin-operated machines that vend a taxable product or service.

History: Enacted in 1990.

2.27 Prescriptions and Durable Medical Equipment *Idaho Code 63-3622N*

Description: Exempts most prescription medical items.

History: This exemption was originally enacted as 63-3622(q) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, limbs, wheelchairs, hearing aides, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1992 to clarify that dentures and other orthodontic appliances are taxable when purchased by the practitioner. Amended in 1998 to reverse the 1992 amendment, and provide that dental prostheses and other orthodontic appliances, except fillings, are exempt.

2.28 Funeral Caskets *Idaho Code 63-3622U*

Description: Exempts goods sold in conjunction with a funeral.

History: Originally enacted in 1977 as 63-3622(y).

2.29 Containers *Idaho Code 63-3622E*

Description: Exempts containers that are part of goods for sale, including returnable containers.

History: Originally enacted in 1965 as 63-3622(e).

2.30 Nonprofit Literature *Idaho Code 63-3622I*

Description: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

History: Originally enacted in 1965 as 63-3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations in response to the U.S. Supreme Court ruling in *Texas Monthly vs. Bullock*. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

2.31 Official Documents *Idaho Code 63-3622AA*

Description: Exempts sales of documents when the fee for the document is set by *Idaho Code*.

History: Originally enacted in 1984.

2.32 Precious Metal Bullion *Idaho Code 63-3622V*

Description: Exempts sales of precious metal bullion and coins.

History: Originally enacted in 1982 as 63-3622(z).

2.33 New Manufactured Homes or Modular Buildings *Idaho Code 63-3613(c)*

Description: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

History: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

2.34 Telecommunications Equipment *Idaho Code 63-3613(b), 63-3621(a)*

Description: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

History: Enacted in 1996.

2.35 Construction *Idaho Code 63-3609*

Description: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Mobile and manufactured homes are taxed on 55% of the sales price [*Idaho Code 63-3613(c)*] in order to give them equivalent treatment. SIC major groups 15, 16, and 17 are included in this category.

History: The original language of the sales tax defined a "sale" as any transaction involving the exchange of tangible personal property for a consideration (*Idaho Code 63-3612*). In the section of the Sales Tax Act defining a retail sale it is stated that "all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable

whether or not such persons intend resale of the improved property (*Idaho Code* 63-3609)."

2.36 Agricultural and Industrial Services

Description: This category of services includes agricultural soil preparation, planting, cultivating, and harvesting; veterinary services; pet boarding and grooming; farm management; lawn and garden services; forestry service; and mining services. SIC major groups 01 through 14 are included in this category.

History: Originally excluded from definition of sales tax base.

2.37 Transportation Services *Idaho Code* 63-3613(b)7

Description: Most charges for transportation of freight and passengers are exempt from the sales tax (*Idaho Code* 63-3613(b)7). Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer (*Idaho Code* 63-3613(b)7), the cost of transportation prior to the sale (*Idaho Code* 63-3613(a)3), and receipts from intrastate transportation of passengers or freight by air charter [*Idaho Code* 63-3612(j)]. SIC major groups 40 through 47 are included in this category.

History: Transportation services have generally been exempt since the enactment of sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

2.38 Communications

Description: Subscriptions or charges for one-way and two-way transmissions of signals containing information (sound, images, data, etc.) are not taxed. This exemption consists mostly of local and long-distance telephone service and cable television. SIC major group 48 is included in this category.

History: Communications have been exempt since the enactment of the sales tax in 1965.

2.39 Repairs *Idaho Code* 63-3613(b)4

Description: The labor charges associated with repairing or installing tangible personal property are generally not taxable as long as they are separately stated on the bill. SIC major groups 75 and 76 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.40 Professional Services

Description: Legal, accounting, engineering, architectural, R&D, public relations, and management services fall within this category. SIC major groups 81 and 87 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.41 Business Services

Description: Advertising, credit agencies, building maintenance, personnel agencies, computer programming and processing, computer repair, and security agencies are some of the major elements of this category. SIC major group 73 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.42 Personal Services

Description: Laundry and dry cleaning, barbers and beauticians, shoe repair, funeral services, tax return preparation, massage parlors, and escort services are among the elements of the personal services major group. SIC major group 72 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.43 Health and Medical Services

Description: Doctors, dentists, hospitals, and nursing home services are the principal elements of this category. SIC major group 80 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.44 Social Services

Description: Adult and child day care, counseling, job training, residential care, and adoption services are some of the principal elements of this category. SIC major group 83 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.45 Educational Services

Description: Elementary and secondary schools, colleges and universities, libraries, vocational schools, driving instruction, flight schools, and modeling schools are among the establishments covered by this category. SIC major group 82 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.46 Lottery Tickets and Pari-Mutuel Betting *Idaho Code 67-7439*

Description: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

History: Enacted in 1988.

2.47 Media Measurement Services *Idaho Code 63-3622LL*

Description: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

History: Enacted in 1997.

2.48 Miscellaneous Services

Description: This includes all service industries not classified elsewhere. Includes freelance authors, lecturers, radio commentators, songwriters, weather forecasters, artists, consulting scientists, inventors, actuaries, and newspaper columnist. SIC major group 89 is in this category. This category also includes SIC industry group 495, sanitary services. Sewer and trash services are included in this industry group.

History: Exempt since enactment of the sales tax in 1965.

2.49 Educational Institution Purchases *Idaho Code 63-3622O(1)(a) and 33-5204*

Description: Exempts all purchases by nonprofit colleges, universities, primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing, gymnastics, dramatics, music, cosmetology, writing, exercise, and "other special accomplishments."

History: This was originally enacted as 63-3622(s) in 1967 and amended in 1990 to add non-resident schools with Idaho facilities. It was amended in 1993 to add all non-resident schools not otherwise excluded. 33-5204 was added in 1999 to explicitly add charter schools to this exemption.

2.50 Hospital Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by nonprofit hospitals that are licensed by the state for the care of ill persons. Excludes from exemption nursing homes or "similar institutions."

History: Originally enacted as 63-3622(s) in 1967.

2.51 Health Entity Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by certain specified "health related entities." The list consists of: the Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Mental Health Association, The ARC, The Children's Home Society of Idaho, American Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community health care centers, the Idaho Diabetes Youth Program, the Idaho Women's and Children's Alliance, and Special Olympics Idaho. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add first list of health related entities. Amended in 1986, 1990, 1999 and 2000 to expand the list.

2.52 Canal Company Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by canal companies. Canal companies are defined as nonprofit corporations whose sole purpose is operating and maintaining dams, reservoirs, canals, lateral and drainage ditches, pumps, and pumping plants.

History: Originally enacted in 1967 as 63-3622(s).

2.53 Forest Protective Association Purchases *Idaho Code 63-3622O(1)(a)*

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho pursuant to Chapter 1, Title 38, *Idaho Code*.

History: Enacted in 1979.

2.54 Food Bank Purchases *Idaho Code 63-3622O(1)(b, c)*

Description: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference, and also includes any other nonprofit corporation or association "one of whose" primary purposes is the furnishing of food or food products to others without charge.

History: Enacted in 1991. Amended in 1998 to add "growing" to the list of activities that qualify for this exemption.

2.55 Nonsale Clothier Purchases *Idaho Code 63-3622O(1)(d)*

Description: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined as any nonprofit corporation or association "one of whose" primary purposes is the furnishing of clothes to others without charge.

History: Enacted in 1992.

2.56 Centers for Independent Living *Idaho Code 63-3622O(1)(e)*

Description: Exempts sales to or purchases by centers for independent living. Centers for independent living are defined as private, non-profit, non-residential organizations where at least 51% of the governing board are individuals with disabilities.

History: Enacted in 1997.

2.57 State of Idaho and Local Government Purchases *Idaho Code 63-3622O(1)(f)*

Description: Exempts Idaho governmental agencies from paying sales tax on purchases.

History: Enacted in 1997; exemption was done by Tax Commission regulation from enactment of the sales tax to 1997.

2.58 Ronald McDonald House Rooms *Idaho Code 63-3622O(5)*

Description: This exempts the renting of a place to sleep by the Ronald McDonald House.

History: Enacted in 1997.

2.59 INEEL R&D Purchases *Idaho Code 63-3622BB*

Description: Exempts goods used for research and development at the Idaho National Engineering and Environmental Laboratory (INEEL).

History: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63-3615. It was amended in 1969 to limit to INEEL only. It was recodified in 1985 as 63-3622BB and removed nuclear fuel reprocessing from the exemption.

2.60 Motor Vehicle Purchases by Family Members *Idaho Code 63-3622K(c)*

Description: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

History: Section 63-3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63-3622K in 1988.

2.61 Sales by 4-H and FFA Clubs at Fairs *Idaho Code 63-3622K(b)7*

Description: Exempts sales of animals by any 4-H club or FFA club held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

History: Enacted in 1979 by amending 63-3612A. Moved to 63-3622K in 1988.

2.62 Sales by Non-Retailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6); 63-3622H*

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as a retailer. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

History: Originally enacted as 63-3622(j, l) in 1965.

2.63 Sales by Indian Tribes on Reservations *Idaho Code 63-3622Z*

Description: Exempts sales by Indian Tribal Enterprises from sales and use tax. This exemption allows a tribal enterprise to make sales to both Indians and non-Indians without collecting sales tax. Further, it provides that no use tax applies to the purchase even if the non-Indian removes the goods from the reservation.

History: Originally enacted as 63-3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define reservation.

2.64 Sales of Meals by Churches to Members *Idaho Code 63-3622J*

Description: Exempts meals sold at church functions to members of the congregation.

History: Originally enacted as 63-3622(k) in 1965.

2.65 Sales by Outfitters and Guides *Idaho Code 63-3613(b)9*

Description: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

History: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

2.66 Sales Through Vending Machines *Idaho Code 63-3613(e)*

Description: Allows retailers selling products through vending machines for \$1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

History: Enacted in 1977.

2.67 Auto Manufacturer Rebates *Idaho Code 63-3613(b)8*

Description: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

History: Enacted in 1990.

2.68 Incidental Sales of Churches *Idaho Code 63-3622KK*

Description: Exempts sales by churches that do not regularly compete with private enterprise.

History: Enacted in 1990.

2.69 Federal Excise Tax Imposed at Retail Level *Idaho Code 63-3613(b)5*

Description: Excludes retail level federal excise taxes from the taxable sales price.

History: Originally enacted in 1965.

2.70 Federal Constitutional Prohibitions *Idaho Code 63-3622A*

Description: State cannot tax goods when prohibited by the U.S. Constitution.

History: Originally enacted in 1965 as 63-3622(a).

2.71 Other Federal and State Statutory Prohibitions

Description: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, Credit Unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, Foreign Diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Jr. College Dormitory Housing Authority, Production Credit Association, and Regional Airport Authority.

History: Varies by statute.

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